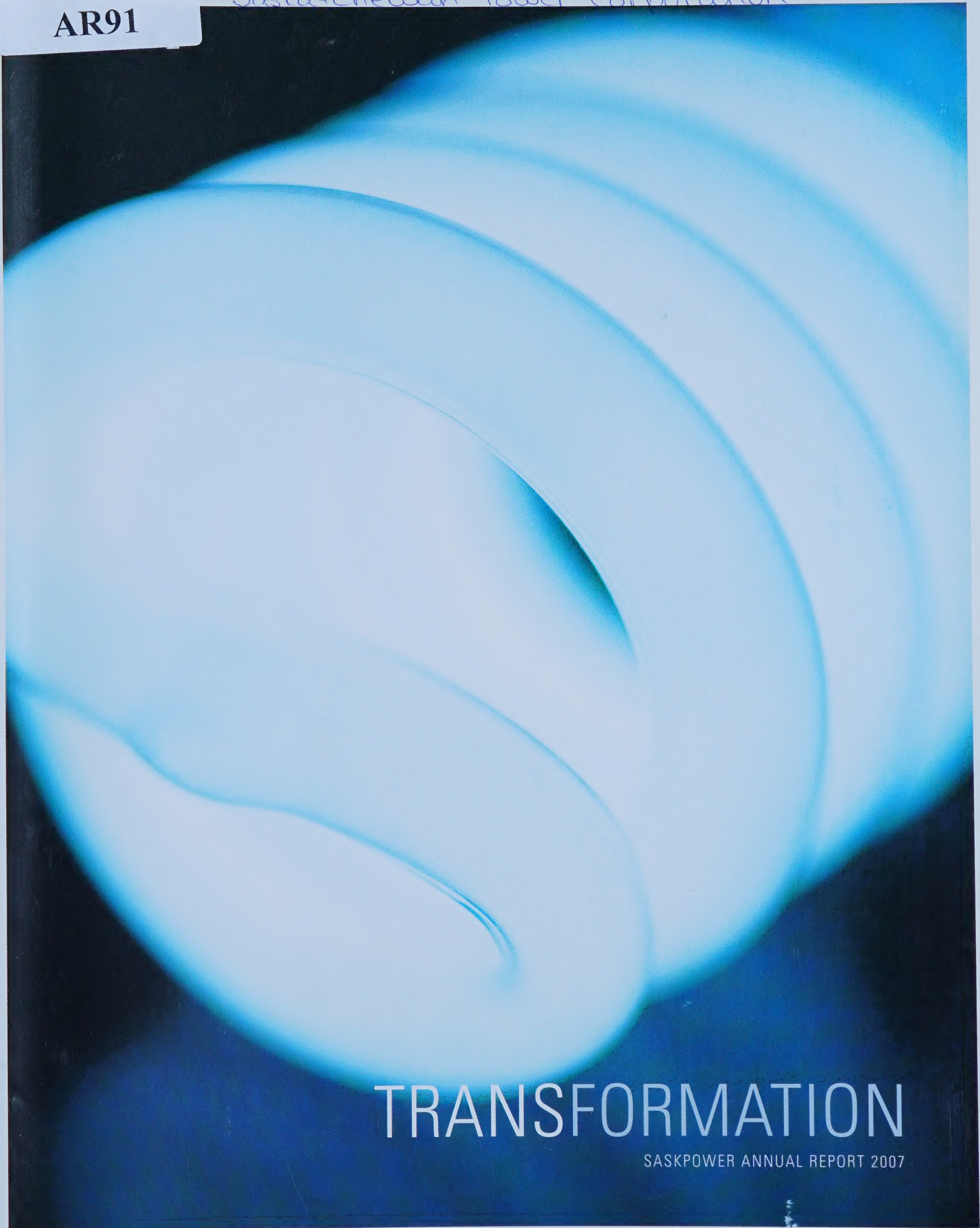
Saskatchewan Power Corporation



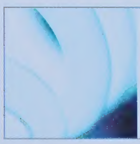
TRANSFORMATION

SASKPOWER ANNUAL REPORT 2007

DELIVERING ON A SERVICE PROMISE

OUR YEAR AT A GLANCE

- Net income of $138 million and dividend of $97 million.
- Record $89 million spent on new customer connects.
- Record 13,071 new service applications.
- Record peak load of 2,969 megawatts (MW).
- New supply decision outlines SaskPower's plan to meet the province's growing electricity needs from 2010 to 2014.
- SaskPower becomes first utility in the world to complete workable design for a large scale near-zero emissions pulverized coal plant.
- Process of acquiring up to 400 MW of simple cycle natural gas turbines begins, at a capital cost of approximately $625 million.
- SaskPower Eneraction portfolio of efficiency, conservation and load management programs announced.
- Net Metering Program allows for the development of partnerships with customers who generate electricity using wind, solar, low impact hydroelectric, biomass, flare gas and heat recovery.
- SaskPower International's Centennial Wind Power Facility completes first year with a capacity factor in the top 10% of facilities around the world.
- First of four new waste heat recovery units completes initial year of operation as part of SaskPower's Environmentally Preferred Power (EPP) Program.
- $21.6-million major overhauls completed on Boundary Dam Power Station 139-MW Unit #3 and 62-MW Unit #1.
- Engineering design begins on $30-million Boundary Dam spillway upgrade project.
- Preparation completed for $140-million refurbishment of Poplar River Power Station 281-MW Unit #1.
- Initial routing design and public meetings held on 160-km Poplar to Pasqua 230 kilovolt (kV) transmission line.
- Construction begins on a new 110-25 kV substation 6 km from Pelican Narrows in northern Saskatchewan.
- $6-million Energy Performance Contract (EPC) signed with the Sunrise Health Region.
- Over 16,000 compact fluorescent light bulbs are distributed free in six communities.
- Conductor and transformer supply agreements worth up to $170 million are signed with Nexans Canada Inc. and Partner Technologies Inc. resulting in continued significant manufacturing work for Saskatchewan.
- Customers' access to account information and services is enhanced with the new online MyPower Account.
- Power Savings campaign continues to educate customers about energy use.
- Shand Greenhouse reaches distribution mark of over 5.7 million seedlings since opening.



On the cover

Shining a light on a powerful future — The spiraling tube of a compact fluorescent light illuminates in more ways than one. For SaskPower's customers, it demonstrates the environmental and economic benefits of efficiency. For our company, it confirms the power that comes with transforming the way we think and act in order to meet the challenges around us.

FINANCIAL AND OPERATING HIGHLIGHTS

FINANCIAL INDICATORS

(in millions)	2007	2006	Change
Revenue	**$ 1,469**	$ 1,353	$ 116
Net income	**138**	93	45
Dividends	**97**	61	36
Capital expenditures	**280**	285	(5)
Gross long-term debt	**2,565**	2,515	50
Return on equity[1]	**9.3%**	6.4%	2.9 %
Per cent debt ratio[2]	**59.7%**	61.0%	(1.3)%

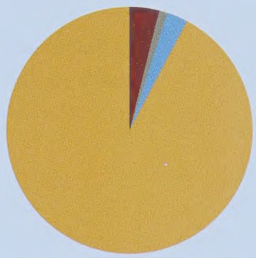
1. Return on equity = (net income)/(average equity), where average equity = [(equity advances + retained earnings at year-end + equity advances + retained earnings at previous year-end)/2].
2. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term debt + current portion of long-term debt - debt retirement funds - cash and cash equivalents).

NET INCOME AND DIVIDENDS (in millions)

NET INCOME
DIVIDENDS

SASKPOWER SUBSIDIARIES' NET INCOME

(in millions)	2007	2006	Change
SaskPower International	**$ 19**	$ 16	$ 3
NorthPoint Energy Solutions	**13**	18	(5)



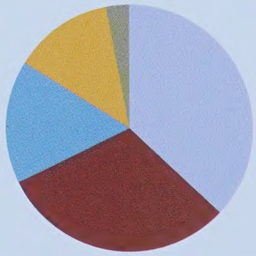
2007 REVENUE

SASKATCHEWAN ELECTRICITY SALES 92%
EXPORTS 4%
NET SALES FROM ELECTRICITY TRADING 1%
OTHER 3%

OPERATING STATISTICS

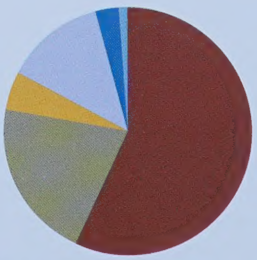
(GWh)	2007	2006	Change
Saskatchewan electricity sales	**17,923**	17,400	523
Exports	**851**	480	371
Total electricity sales	**18,774**	17,880	894
Gross electricity supplied	**20,571**	19,714	857
Line losses	**(1,797)**	(1,834)	37
Net electricity supplied	**18,774**	17,880	894
Electricity trading purchases	**1,909**	1,672	237
Line losses	**(12)**	(23)	11
Electricity trading sales	**1,897**	1,649	248

One GWh is equivalent to the energy consumed by 125 typical houses in one year.



2007 EXPENSE

FUEL AND PURCHASED POWER 37%
OM&A 31%
DEPRECIATION 16%
FINANCE CHARGES 13%
TAXES 3%



2007 GROSS ELECTRICITY SUPPLIED (GWh)

COAL 57%
HYDRO 21%
GAS 5%
PURCHASED POWER 13%
WIND 3%
IMPORTS AND OTHER 1%

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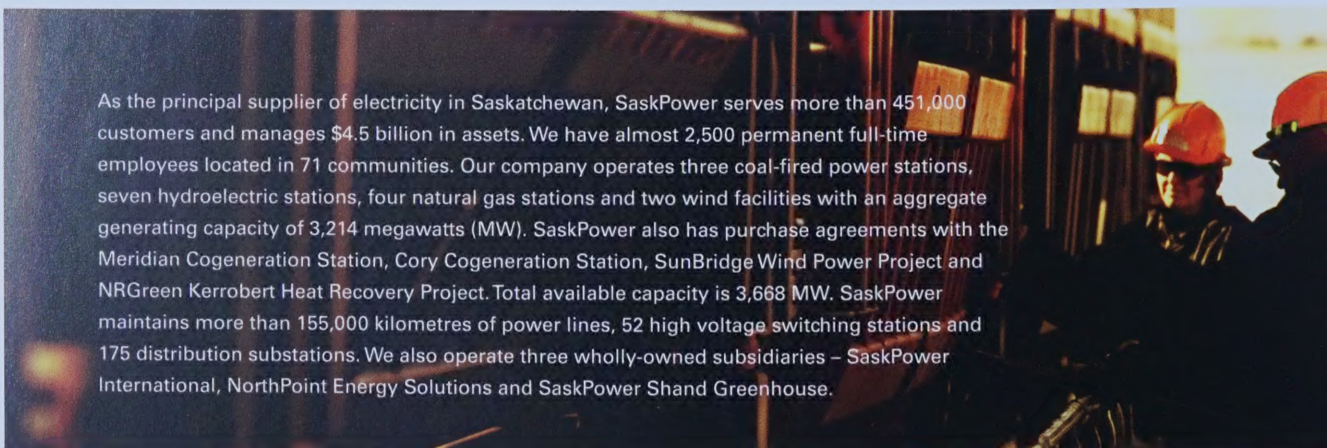


As the principal supplier of electricity in Saskatchewan, SaskPower serves more than 451,000 customers and manages $4.5 billion in assets. We have almost 2,500 permanent full-time employees located in 71 communities. Our company operates three coal-fired power stations, seven hydroelectric stations, four natural gas stations and two wind facilities with an aggregate generating capacity of 3,214 megawatts (MW). SaskPower also has purchase agreements with the Meridian Cogeneration Station, Cory Cogeneration Station, SunBridge Wind Power Project and NRGreen Kerrobert Heat Recovery Project. Total available capacity is 3,668 MW. SaskPower maintains more than 155,000 kilometres of power lines, 52 high voltage switching stations and 175 distribution substations. We also operate three wholly-owned subsidiaries – SaskPower International, NorthPoint Energy Solutions and SaskPower Shand Greenhouse.

MINISTER'S *LETTER*

Regina
March 2008

To His Honour
The Honourable Dr. Gordon L. Barnhart, S.O.M., PhD
Lieutenant Governor of Saskatchewan
Province of Saskatchewan

Sir:

I have the honour to submit herewith the Annual Report of the Saskatchewan Power Corporation for the year ended December 31, 2007. The report includes the financial statements for the year in the form approved by the Treasury Board, duly certified by the auditors of Saskatchewan Power Corporation, all in accordance with *The Power Corporation Act*.

I have the honour to be, Sir, your obedient servant,

Ken Cheveldayoff

Honourable Ken Cheveldayoff
Minister of Crown Corporations

A MESSAGE FROM *THE CHAIR AND PRESIDENT AND CEO*

THE ENERGY TO INNOVATE

For our company, 2007 represents an excellent year of strong financial and operational performance. Marked by an increase of net income to $138 million, it is also a period that demonstrates some of the heightened infrastructure, fiscal and workforce demands being placed on our business.

Saskatchewan is experiencing extraordinary growth – illustrated during the year by record peak load, record customer connects and record new service applications. At SaskPower, we are committed to powering our province through these exciting times while helping further Saskatchewan's competitive economic position. Our success hinges on our ability to remain relevant through strategic revitalization. For our company, that means doing all that is necessary to ensure our present and future role in providing cost-efficient, safe, reliable and sustainable electricity.

Since 1929, countless generations of SaskPower employees have delivered the service that has helped build a high quality of life in Saskatchewan. In order to maintain and strengthen this traditional role, the Corporation must now respond to the increasing demands of customers, new environmental realities and an infrastructure that demands significant reinvestment. As a result, during the year we further refined SaskPower's strategic direction to more clearly emphasize the three elements – innovation, partnerships and people – that will help achieve our company's vision of "... powering Saskatchewan to a bright future."

THE CAPACITY *TO RESPOND*

In 2007, innovation was at the core of a major supply decision and the process of evaluation that led to its successful conclusion. This was in evidence through the resulting unique combination of selected options: natural gas-fired turbines, renewables, waste heat recovery, net metering and demand side management. However, nowhere was innovation more apparent than within the Clean Coal Project. Even though this option was not chosen to fulfill short-term supply, SaskPower became the first utility in the world to successfully complete a workable design for a large scale near-zero emissions pulverized coal plant.

Operationally, our decision to install up to 400 megawatts (MW) of simple cycle natural gas turbines provides an immediate course for strengthening our ability to meet high short-term load growth and increasing environmental requirements. It represents a very flexible option, affording us peaking power that offsets the uncertainty of other supply. It allows us to meet load growth incrementally, while also supporting our transmission system through the placement of generating stations in the most advantageous locations.

SaskPower Eneraction, a suite of new demand side management programs, is also a key segment of our supply decision. It is an example of the ambitious thinking that must be considered in order to meet the emerging realities for electrical utilities. Taken as a whole, all of the components in our supply decision very much represent the beginning of a long-term re-shaping of supply that must meet a blend of economic, environmental and social demands.

THE POWER *TO ACHIEVE*

Partnerships – both inside and outside the Corporation – were at the forefront of our supply decision and will play a vital role in whatever ways future needs are met. They are also critical to SaskPower's day-to-day operations and central to our responsibility to ensure expenditures provide maximum benefit to the provincial economy. During the year, conductor and transformer supplier agreements were signed with Nexans Canada Inc. and Partner Technologies Inc. These contracts will ensure that these products will continue to be manufactured in Saskatchewan, reinforcing our company's ability to consistently source more than 80% of goods and services in our province.

The third critical ingredient in achieving our vision – people – will always be the core reason for our success. Yet, even here we face escalating pressures. While SaskPower continues to prepare for intensive employee succession through a number of initiatives, our province's exceptional economic performance has only added to the challenge.

Highlighted by the record number of new service applications for our company, this booming environment added to cost pressures associated with labour, materials and contractor costs expenses. Low natural gas prices, above-average hydro production and the effect of a rate adjustment all helped the bottom line. However, it is employees who should be commended for facilitating SaskPower's responsiveness in delivering strong operational and financial performance while providing an increased return to our shareholder at the conclusion of the year.

THE POTENTIAL *TO GROW*

Transformation – guided by our employees' ongoing systematic operational analysis and action – was present throughout our business in response to a variety of other challenges over the past 12 months. During the year, Service Delivery Renewal, Business Continuity Planning and the Internal Control Project all progressed with the objective of taking SaskPower forward as a dynamic, responsive organization.

Safety is one area where we will always emphasize the need for continuous improvement. We are making significant progress in putting into place policies and standards to govern how we conduct our work. In addition, we are focusing our external educational advertising toward audiences most at-risk. Overall, our safety efforts will always advance the notion that all electrical-related accidents are preventable.

As we enter a new year, SaskPower remains an exceptional company that is well-positioned for future success. However, addressing significant challenges – such as supply and people – will require intensive analysis and response. We will continue to work closely with the company's employees, Executive and Board of Directors to ensure all available options in decision-making are explored. We will subsequently promote choices that best allow SaskPower to maximize opportunities for our company and deliver ongoing benefits for our province.

In any year, SaskPower's achievements are built on the efforts of extraordinary people. Our employees and Board of Directors are working very diligently to make certain we meet our financial and operational objectives. They should be proud of the contributions they make. Ahead of us, there is much to do and discover. We look forward to joining our colleagues in the excitement of assisting in the preparation of SaskPower for 2008 and beyond.

Joel Teal
Chair, Board of Directors

Pat Youzwa
President and Chief Executive Officer

$1.6 billion

SASKPOWER INVESTMENT IN CAPITAL INFRASTRUCTURE IN LAST FIVE YEARS.

AS OUR INDUSTRY CONTINUES TO CHANGE AT AN ELECTRIFYING RATE, SO DOES THE WORLD AROUND US. AT SASKPOWER, WE HAVE THE ENERGY TO RESPOND IN WAYS THAT REFLECT THE VALUES OF THOSE WE SERVE.

WE HAVE THE CAPACITY TO GENERATE ENVIRONMENTAL, OPERATIONAL AND ECONOMIC PROGRESS. AND WE HAVE THE RESPONSIBILITY TO CONTINUE TO DELIVER SAFE, RELIABLE AND SUSTAINABLE ELECTRICITY.

OUR PAST IS DISTINGUISHED BY IMAGINATION, GROWTH AND DEDICATION. OUR PRESENT IS REPRESENTED BY INNOVATION, PEOPLE AND PARTNERSHIPS. AND OUR FUTURE IS DRIVEN BY

TRANSFORMATION.

TRANSFORMING *PERFORMANCE*

SaskPower is making significant progress in determining what the future of electricity supply and delivery will look like in Saskatchewan. Our company is in the midst of navigating a complex process of in-depth analysis that deals with the refurbishment or replacement of a large portion of our generation and transmission facilities. A myriad of decisions will be required as infrastructure ages, electricity demand grows and environmental requirements increase.

In 2007, the first of what will be a series of supply decisions was announced to ensure the integrity of our system through 2014. Wind, waste heat recovery, biomass, net metering and energy efficiency will all play a role in meeting short-term needs. However, the foundation of this supply commitment is a plan to construct up to 400 megawatts (MW) of capacity from natural gas-fired turbine generators at an estimated cost of $625 million.

Natural gas generation is a proven technology that produces 50% less carbon dioxide (CO_2) compared to coal, as well as low sulphur dioxide (SO_2), nitrogen oxides (NO_x) and mercury emissions. Facilities are relatively quick and easy to install, offer operational flexibility, require no long-term fuel obligation and will provide time for the further growth of renewable and emissions management technologies.

A range of options were considered for the 2007 supply decision, all analyzed for their economic feasibility, environmental footprint, service quality and reliability. These include: coal, polygeneration, demand side management, cogeneration, imports, purchased power, nuclear, hydro, wind and other renewables.

Coal has long-played a central role in our province's electricity supply because it is low-cost, secure and abundant. But in order for it to have a future in SaskPower's system, viable emissions control technologies must be available. Extensive feasibility work has given our company confidence in the potential of clean coal technology. In 2007, SaskPower became the first utility in the world to complete a workable design for a large scale near-zero emissions pulverized coal plant. However escalating cost estimates, the need to secure CO_2 sales commitments and short-term supply requirements meant that choosing clean coal as a supply option was impractical at this time. SaskPower will continue to explore clean coal and all other available options as we look forward to our next supply decision, expected in 2009.

TRANSFORMING *PRODUCTION*

Our company's commitment to further develop renewable energy sources continues to pay dividends. SaskPower International's 150-megawatt Centennial Wind Power Facility completed its first full calendar year of operations with a 41.4% capacity factor. This rates in the top 10% of wind power facilities in the world, and resulted in the production of enough electricity equivalent to meet the annual needs of 69,000 homes. Saskatchewan now has 172 MW of wind capacity – approximately 4% of the province's total generation capacity and currently one of the highest percentages by control area in the country.

The Environmentally Preferred Power (EPP) Program is designed to provide the opportunity for SaskPower to partner with Independent Power Producers to build and operate small-scale environmentally low-impact generation projects. In 2007, the NRGreen Kerrobert Heat Recovery Project – a 5-MW project located at Alliance Pipeline's Kerrobert compressor station – operated for its first full year. The facility recovers exhaust heat from natural gas compression and converts it into electricity. Three other 5-MW waste heat recovery projects being built on Alliance's natural gas pipeline system will be located at Estlin, Alameda and Loreburn. Each is expected to produce enough environmentally responsible electricity to power the equivalent of about 5,000 homes.

83

NUMBER OF TURBINES AT SASKPOWER INTERNATIONAL'S CENTENNIAL WIND POWER FACILITY, WHICH ACHIEVED A CAPACITY FACTOR IN THE TOP TEN PER CENT OF WIND FACILITIES IN THE WORLD.

Meanwhile, SaskPower's new Net Metering Program is available to customers who want to generate their own electricity and send any excess back to the electrical grid for a credit on their power bill. Participants can recover the retail value for excess electricity from environmentally preferred energy projects of 100 kilowatts or less. Eligible technologies include wind, solar, low impact hydroelectric, biomass, flare gas and heat recovery.

TRANSFORMING *INFRASTRUCTURE*

A consistent program of reinvestment in SaskPower's system of generation, transmission and distribution assets is essential to ensure long-term reliability, security, efficiency and safety. Aside from capital costs associated with new generation, it's estimated that in the next five years our company will spend over $2 billion on renewal of our overall infrastructure.

In 2007, major overhauls worth $21.6-million were successfully completed at Boundary Dam Power Station's 62-MW Unit #1 and 139-MW Unit #3. Engineering design also started for a major $30-million Boundary Dam spillway upgrade that will ensure the integrity of this 50 year-old structure. Construction will commence in the spring of 2008 and be completed by spring 2010.

During the year, numerous other generating station renewal projects were also active. With the commissioning of a new generator step-up transformer, the last phase of the $130-million rebuild of Unit #2 at the Poplar River Power Station was completed. The transformer improves efficiency and reliability and is capable of delivering the additional 10 MW of generation that was gained through the rebuild. Meanwhile, preparation work was completed for a $140-million major refurbishment of 281-MW Unit #1, which will be completed during a 100-day shutdown in 2008.

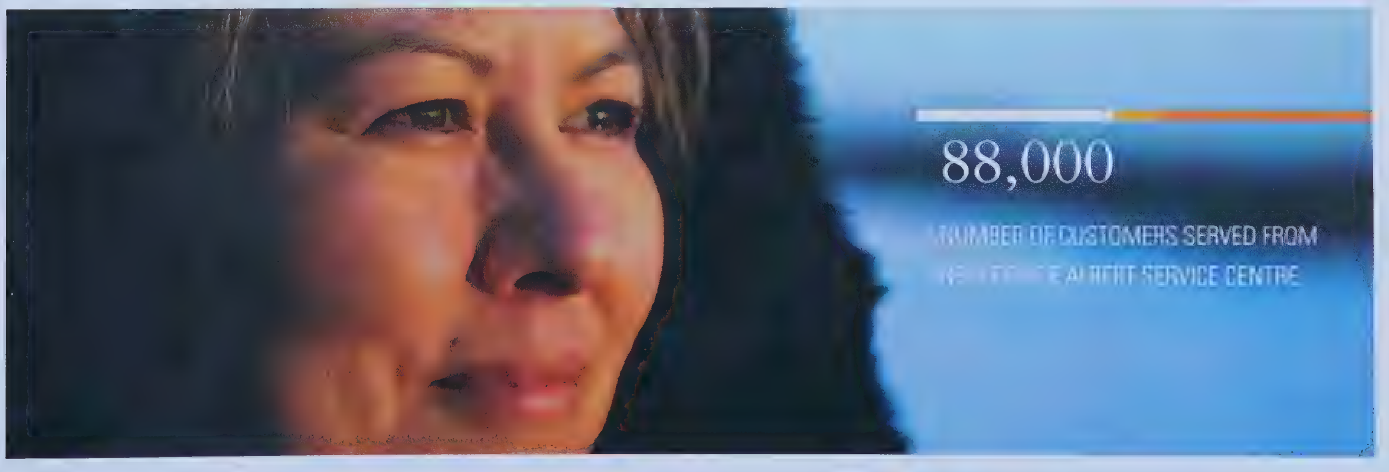
At Queen Elizabeth Power Station, major hot gas path inspections were finished on 28-MW Units #7, #8, and #9 after they had all reach the milestone of 33,000 equivalent operating hours. An upgrade of the generator excitation and automatic voltage regulation systems on Units #3 and #4 at E.B. Campbell Hydroelectric Station was also completed. Meanwhile, at the Coteau Creek Hydroelectric Station, upgrades to the turbine bearing oil lift systems to improve start-up reliability on Units #1 and #3 were concluded.

TRANSFORMING *DELIVERY*

In northern Saskatchewan, a new 110-25 kiloVolt (kV) substation is being constructed to improve service quality and result in fewer disruptions. The facility will reinforce the system that supplies customers in the communities of Pelican Narrows, Deschambault Lake and Jan Lake and their surrounding areas. Meanwhile, continuing load growth requires that the 72 kV line between the new Timber Cove Switching Station and La Ronge, designated as TC5, be rebuilt in stages. The first section identified for construction is a length of approximately 74 km.

Our commitment to this area of the province was also enhanced with the opening of the new $7.9-million Prince Albert Service Centre. Over 140 staff work from the facility and are responsible for approximately 88,000 customers, 29,000 km of overhead and underground electricity distribution lines, and 4,000 km of transmission lines.

In the southern part of the province, SaskPower is proposing to build a 230 kV transmission line between Poplar River Switching Station near Coronach and Pasqua Switching Station near Moose Jaw. The line is necessary to deliver additional power from the refurbished Poplar River Power Station and to meet North American Electric Reliability Corporation (NERC) standards. During the year, initial routing design was completed and the first public meetings held. This 160-km, $60-million project will result in the longest line being built in Saskatchewan in more than a decade.



TRANSFORMING *EFFICIENCY*

Continuous improvement is the cornerstone of any company's success. During the year, SaskPower completed a Business Continuity Planning (BCP) Project that is designed to identify and build plans to protect our company from risks that could affect core operations. Its value not only comes in having a strategy in place, but also in having people across the company to identify real and potential risks that our business faces. For 2008 and beyond, a permanently-staffed department will be established to direct further risk-planning and integrate it into strategic business decisions.

Meanwhile, people, processes and technology are being combined to ensure SaskPower continues to leverage its investment in the SAP enterprise computer system. Our Power Production Business Unit is expanding its use to schedule activities associated with major turbine-generator overhauls and to facilitate planning, budgeting and cost reporting for capital projects. A training renewal project was also launched to ensure plant staff continue to use the system for their day-to-day work in planning and scheduling maintenance.

Financial reporting is also being improved, with the second phase of the Corporation's Internal Control Project underway. The initiative is seeing the development of a testing program to evaluate and report on the effectiveness of internal controls. A Fraud and Ethics Awareness Training Program was also developed and delivered to SaskPower's managers and supervisors.

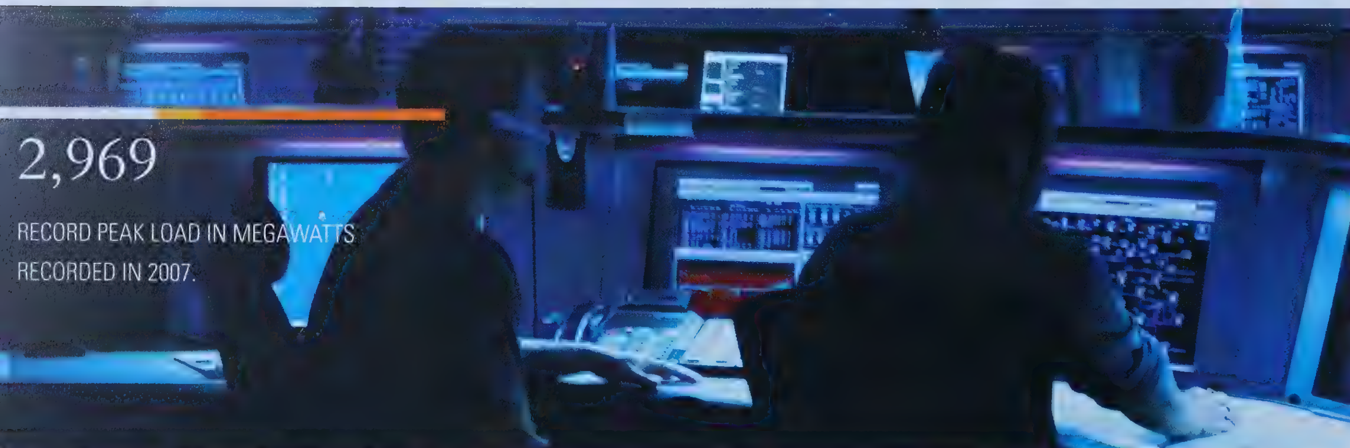
In 2007, NorthPoint Energy Solutions – our energy marketing subsidiary – continued to assist in managing natural gas and power purchase agreements. NorthPoint also participated in the implementation of Automated Generation Control (AGC) at the Cory Cogeneration Station to bring savings to SaskPower's fuel and purchased power budget. The subsidiary also developed processes and operational strategies to enter into the New York Independent System Operator and Southwest Power Pool markets to prepare for possible future growth.

Demonstrating compliance with NERC standards is critical in maintaining the ability to transfer electricity to and from Alberta, Manitoba and the United States. In addition to continuing transmission infrastructure and generating facility upgrades, SaskPower underwent a successful audit in 2007 that confirmed our company's readiness to assume Reliability Coordinator duties.

TRANSFORMING *IMPROVEMENT*

SaskPower's safety and environmental performance also continues to undergo regular review and enhancement. Our Environmental Management System (EMS) remains registered under the ISO 14001 standard and the Safety Management System (SMS) remains registered under the OHSAS 18001 standard. During the year there were zero critical incidents resulting in serious injury where prevention was within SaskPower's control. However, our strong focus on improving overall safety performance remains prevalent.

Internally, over 20 new health and safety policies and standards were developed and approved. These will help to reduce the risk of injury by clearly defining how we control potential hazards in the workplace. Subsequent communication and training is ensuring that all employees are aware of these safety requirements. Meanwhile, deployment has begun on our new P25-compliant mobile communications dispatch radio system. In addition to optimizing service, it will strengthen the safety of employees, contractors and customers.



Externally, an extensive public education program focuses on using and working around electricity. In particular, special emphasis is being placed on farm safety. SaskPower also supports the Saskatchewan Safety Council's Power Pac Program, which targets children across the province with face-to-face presentations that emphasize the prevention of electrical accidents.

TRANSFORMING *PERSPECTIVES*

Progressive ideas and attitudes are key to driving the development of new corporate and customer-based programs that will have a positive impact on our environment. Our company's commitment to demand side management is growing, as evidenced by the new SaskPower Eneraction initiative. This portfolio of energy efficiency, conservation and load management programs is targeting a reduction in electricity demand by 300 MW by 2017.

During the year, SaskPower Eneraction held giveaway events in six Saskatchewan communities to distribute 16,000 compact fluorescent (CFL) light bulbs. We also continued our province-wide Power Saving educational advertising campaigns, as well as introduced a high efficiency furnace motor low interest loan program and the pilot phase of an industrial demand-side management audit program.

Our company's Energy Performance Contracting (EPC) service is another SaskPower Eneraction program, assisting commercial and institutional customers in reducing energy-related operating costs through efficiency upgrades. During 2007, SaskPower and the Sunrise Health Region signed a $6-million EPC contract that will generate approximately $470,000 in annual energy savings. Heating, cooling, lighting, ventilation, window, and building automation systems will be retrofitted under the agreement. Over the last seven years, SaskPower's EPC program has captured 88 gigawatt-hours (GWh) of electrical savings from 18 guaranteed projects at a cost of approximately $0.001 per kilowatt-hour (kWh).

Within SaskPower's operations, we continue to improve the efficiencies of electrostatic precipitators (ESPs) at our coal-fired plants to ensure that the capture of flyash is in the order of 96% to 99.5%. In 2007, flyash sales – for applications that include ready mixed concrete, mine backfill, and road base stabilization – increased by 16% over the previous year. The Saskatchewan Waste Reduction Council recently presented SaskPower and SaskPower International with a Corporate Leadership Award at the Saskatchewan Waste Minimization Awards for our flyash operation.

SaskPower's Shand Greenhouse also continues its environmental outreach. Using waste heat from the Shand Power Station, over 5.7 million trees, shrubs and forbs have been grown and distributed to shelter, wildlife conservation and phytoremediation projects throughout Saskatchewan. In addition, through its Energy and the Environment education programs, our greenhouse reaches children, parents, teachers, the general public and SaskPower staff with climate change messaging.

On the regulatory front, SaskPower has developed an overarching environmental protocol agreement with Fisheries and Oceans Canada (DFO). The first of its kind in the country, it will be used to prioritize approaches to protecting fish habitat. The model being used in Saskatchewan will be used by DFO to develop other agreements across the country.

7,000

NUMBER OF HOMES THAT COULD BE POWERED FOR ONE YEAR BY ELECTRICITY SAVED IF EVERY HOME IN THE PROVINCE REPLACED ONE 100-WATT LIGHT BULB WITH ONE 23-WATT CFL BULB.

TRANSFORMING *SERVICE*

We recognize that the care of our relationship with customers is essential. In the medium-large utilities category, J.D. Power and Associates' 2007 Canadian Electric Utility Residential Customer Satisfaction Study recognizes SaskPower as the second most highly rated power company in Canada for customer satisfaction. However, the need for strengthened performance across all customer classes remains.

Our Service Delivery Renewal (SDR) Program is led by the Customer Services and Transmission & Distribution Business Units. SDR is reviewing how we interact with customers and how customers interact with SaskPower, as well as the services we provide and how they get delivered. There are nine project teams within SDR, with four working on process designs: Concept to Order; Deliver Products and Services; Maintain Electrical System Reliability; and Calculate and Collect Revenue. By the end of the year, the redesigning of these four processes had been completed and a comprehensive review of potential supporting technologies undertaken. An integrated business case for potential changes recommended by SDR will be presented in 2008.

In 2007, SaskPower launched a service that allows customers to manage their electricity-related needs online. The new MyPower Account gives customers the opportunity to: view current bill balances and payment history; review power use and compare month to month use; submit meter readings; equalize monthly payments; sign up for paperless billing; and get answers to questions. The service is a direct response to customers requesting the convenience of an internet-based account and billing management option.

During the year, SaskPower also initiated an independent Cost of Service (COS) Review, normally conducted every five years. COS and rate design methodology are used by SaskPower to ensure that customers in each class pay a fair reflection of the total cost of electrical service they receive. The study – under the guidance of the Saskatchewan Rate Review Panel (SRRP) – includes a review and assessment of the existing COS model and rate design method, as well as assessment of common and accepted methodology in the electric utility industry in Canada and the United States.

TRANSFORMING *PEOPLE*

With our company projecting that approximately one-third of our employees are likely to retire within the next decade, we have initiated several strategies to address staff replacement. These include: workforce planning (continual monitoring of employee demand and supply); leadership succession planning (preparing candidates for three senior levels of management); increased apprenticeship positions; wage and salary reviews resulting in industry competitive pay; and diversity partnerships.

As labour pools decrease and the competition for talent increases, it will also be critical for our company to maximize retention by consistently enhancing the workplace. During 2007, an employee engagement survey was conducted in order to learn more about perceptions. Nearly 900 employees shared their opinions. While results underscore the need for continued effort, there have been improvements in several areas, including senior leadership and recognition.

During 2007, the Corporation also completed new collective bargaining agreements with the International Brotherhood of Electrical Workers (IBEW) Local 2067 and Communications, Energy and Paperworkers (CEP) Local 649. As well, new executive compensation was implemented, a Respectful Workplace Policy developed, and new supervisor training established.

50,000

NUMBER OF CHILDREN AND ADULTS HAVING RECEIVED WETLAND EDUCATION THROUGH SASKPOWER SPONSORSHIP.

TRANSFORMING *PARTNERSHIPS*

Since SaskPower's Quality Assurance and Supplier Development began 25 years ago, the Corporation has purchased more than $5.1 billion in goods and services in Saskatchewan. In 2007, we again held supplier development presentations in Saskatchewan communities, encouraging businesses of any size to learn about the types of goods and services we require. In addition to continuing to work to enhance opportunities for First Nations businesses, SaskPower also developed and approved a new purchasing policy and accompanying procedures.

One of the year's biggest supplier development success stories came with the signing of a new five-year conductor supply agreement with Nexans Canada Inc. worth up to $90 million. The partnership allows SaskPower to obtain stable pricing and a secure supply of 56 types of electrical conductor from Nexans' Weyburn facility. Other benefits for our company include being a priority customer, housing relatively low inventories and saving on transportation costs.

During the year, SaskPower also signed a five-year agreement worth up to $80 million with Partner Technologies Inc. (PTI) for 45 types of electrical distribution transformers. PTI employs more than 90 people and is the largest privately-owned Canadian company that manufactures transformers for distributing electricity. SaskPower's initial support for the company through supplier development was crucial; now, exports to customers outside Saskatchewan from its production plant in Regina account for about 60% of PTI's sales.

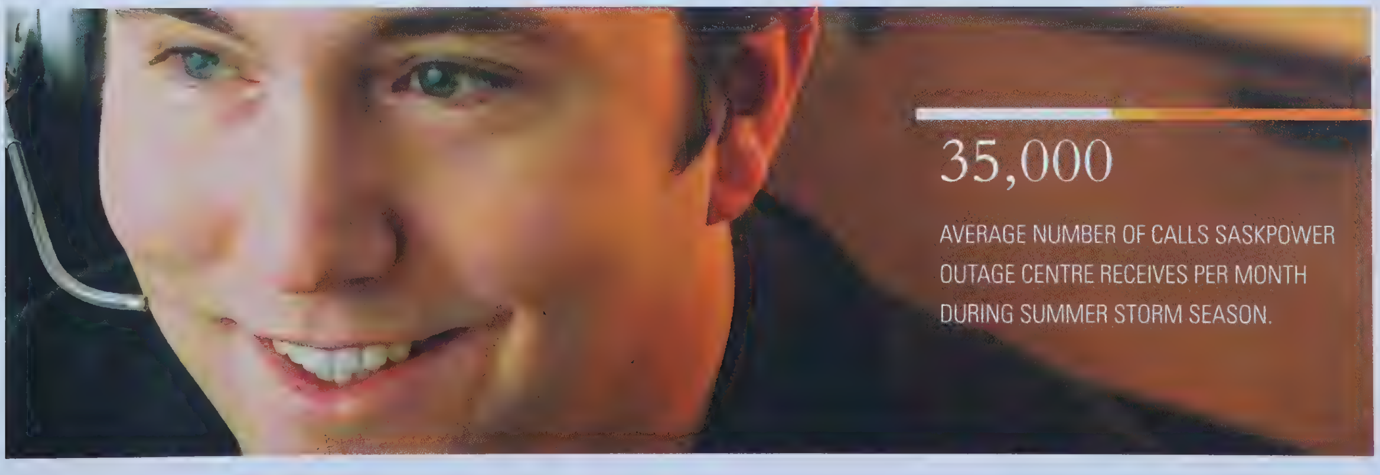
TRANSFORMING *COMMUNITY*

SaskPower continues to respond to the importance of corporate citizenship through a Corporate Contributions Program that helps deliver over 300 programs and events annually. Using an operating budget of over $1 million per year, our company partners with Saskatchewan-based non-profit organizations in support of education, environment and community involvement (culture, sports and recreation).

As a major employer in Saskatchewan, SaskPower recognizes the need to play a strong role in the development of our future workforce by collaborating with educational institutions. Education investments made through our Corporate Contributions Program are focused on the sciences, trades and technology disciplines, recognizing the Corporation's future human resources needs. In 2007, SaskPower made contributions to the Saskatchewan Science Centre, SIAST Palliser's Electrical Engineering Technology Program, Sci-Fi Engineering Summer Camps, and Skills Canada Saskatchewan.

Our company also funds programs that seek to address natural resource management and conservation. During the year, SaskPower's environment-focused efforts included contributing to Ducks Unlimited, Prairie Conservation Endangered Species Conference and Workshop, Saskatchewan Envirothon, Nature Saskatchewan, Saskatchewan Association of Agricultural Societies and Exhibitions Clean Team, and a native prairie area at the First Nations University of Canada.

In 2007, SaskPower celebrated its 25th partnership anniversary with the Saskatchewan Weekly Newspapers Association. Support from our company for the Junior Citizen of the Year Awards provides outstanding Saskatchewan youth with $3,000 to dedicate towards post-secondary education. The Corporation also continues its relationship with Special Olympics Saskatchewan, while also assisting numerous cultural groups and women's programs.



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MOBILE RADIO SYSTEM

MANAGEMENT'S DISCUSSION & ANALYSIS

February 8, 2008

The following is a discussion of the consolidated financial condition and results of the operations of Saskatchewan Power Corporation (SaskPower; the Corporation) for the year ended December 31, 2007. It should be read in conjunction with the audited financial statements and accompanying notes. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

This MD&A contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated. These risks and uncertainties include natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

CORPORATE PROFILE

SaskPower
SaskPower is a vertically integrated electric utility that is located in Saskatchewan and provides generation, transmission, distribution and retail services to its customers within the province. Our company serves more than 451,000 customers and manages $4.5 billion in assets.

SaskPower has almost 2,500 permanent full-time employees who are employed in three business units, four corporate groups and three wholly-owned subsidiaries.

Authority
SaskPower traces its origins to the Saskatchewan Power Commission that was founded in 1929. In 1949, our company was incorporated as a provincial Crown corporation under the authority and mandate of *The Power Corporation Act* (the Act). While the Act has had a number of modifications over its lifetime, SaskPower's mission – to deliver power in a safe, reliable and sustainable manner – has not fundamentally changed.

The Act grants SaskPower the exclusive franchise and obligation within the province (except for the City of Saskatoon and the City of Swift Current) to supply, transmit and distribute electricity, as well as provide retail services to customers. The Corporation opened Saskatchewan's wholesale electricity market to competition through the posting of an open access transmission tariff (OATT) in 2001. The OATT enables competitors to schedule access to our company's transmission system, thereby allowing them to wheel power through Saskatchewan or sell to SaskPower's wholesale (reseller) customers. The reseller class of customer is restricted to two cities – the City of Swift Current and the City of Saskatoon – that retained their municipal franchise.

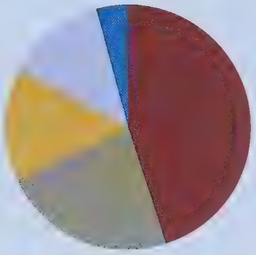
Governance
SaskPower's vision, mission and values flow from the Act and the Corporation's relationship with its parent company, Crown Investments Corporation of Saskatchewan (CIC). SaskPower supports the strategic direction provided by CIC. In turn, CIC is responsive to general government direction as articulated in a variety of ways, such as through the annual Speech from the Throne, or with formal policy statements. The President and Chief Executive Officer of SaskPower reports to a Board of Directors appointed by CIC. Through its Chair, our company's Board of Directors is accountable to the Minister of Crown Corporations. The Minister functions as a link between the Corporation and cabinet, as well as the provincial legislature.

Economic benefits for our province
In 2007, our company contributed more than $900 million to the provincial economy through the procurement of over 85% of goods and services from Saskatchewan suppliers; the payment of wages and benefits to employees; the purchase of coal; and the acquisition of electricity from Independent Power Producers. Contributions also include $17 million in grants-in-lieu of taxes payable to local governments and approximately $53 million in coal royalties, water rentals and provincial corporate capital tax payable directly to the Province of Saskatchewan. The Corporation also collected $42 million in municipal surcharges for redistribution to 407 cities, towns and villages.

Electricity generation and delivery infrastructure
SaskPower operates or buys supply from a generating fleet that uses a wide range of fuels. This diversity of sources provides a natural hedge against supply and price volatility, protecting customers from some of the risk inherent in any single fuel. Our company's aggregate generating capacity as at December 31, 2007, was 3,668 megawatts (MW). This includes the 3,214 MW capacity of SaskPower's assets – three coal-fired stations, seven hydro stations, four natural gas stations and two wind generation facilities.

The Corporation also has available generation capacity of 454 MW through long-term power purchase agreements with the gas-fired Cory Cogeneration Station near Saskatoon, the Meridian Cogeneration Station at Lloydminister, the SunBridge Wind Power Project near Swift Current and the NRGreen Kerrobert Heat Recovery Project.

Our company maintains 155,818 km of power lines (12,216 km transmission and 143,602 km distribution) in Saskatchewan. Transmission lines are high voltage lines (over 25,000 volts) that transport large volumes of electricity from generating stations to load centres – cities, towns or large industrial or commercial customers. Distribution lines are lower voltage lines (under 25,000 volts) that take the power in smaller quantities to residential users and smaller commercial consumers. The challenge of managing the system is considerable given the large geographic size of the province, the location of various sources of generation, and a relatively small and dispersed population.



Total generation capacity: 3,668 MW

SaskPower has a diversified portfolio of assets to meet generation requirements.

In addition, SaskPower has interconnections at the Manitoba, Alberta and North Dakota borders. These interconnections provide our company with the capability to import or export electricity to meet higher internal demand or to take advantage of export market opportunities. Under normal system conditions, the import capability is 250 MW from Manitoba, 75 MW from Alberta and 150 MW from North Dakota. The import from Manitoba and North Dakota is interdependent; the capabilities cannot be achieved simultaneously. The export capability is 275 MW to Manitoba, 153 MW to Alberta and 200 MW to North Dakota. These interconnection capabilities vary with system conditions, including generation and load level. In compliance with OATT, SaskPower is required to compete with other suppliers for access to these interconnections.

Long-term infrastructure gap

SaskPower has identified a need to replace or build nearly 2,800 MW of generation capacity by 2030 to accommodate the retirement of existing assets and growing demand.

In 2007, the Corporation announced a strategy to ensure a safe, reliable and sustainable power supply in Saskatchewan. The supply decision includes the installation of up to 400 MW of simple cycle natural gas turbines over the next 5 years at a capital cost of approximately $625 million.

In future, SaskPower remains committed to pursuing environmentally, economically and technically responsible generation technologies. Leading up to this most recent supply decision, SaskPower investigated and analyzed a number of options, including clean coal, polygeneration and large-scale hydro. Our company will continue to explore these and all other available options as we work toward the next supply decision, expected in 2009.

Less visible – but equally critical and costly for SaskPower – is the need to replace and maintain transmission and distribution lines. Approximately 70% of transmission and sub-transmission facilities are approaching or have exceeded 30 years of age. The required re-investment is as substantial as that required for generation facilities, and is essential if SaskPower is to continue to successfully serve its customers.

Rate review process

Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel (the Panel) with final approval by cabinet. In October 2006, the Corporation submitted a rate application to the Panel requesting a 4.3% system-wide rate increase effective January 1, 2007.

In December 2006, the Panel completed its review of SaskPower's application and advised cabinet that it approve the Corporation's system-wide average rate increase of 4.3%. In January 2007, cabinet accepted the Panel's recommendation and approved the rate increase effective February 1, 2007. The rate increase provided SaskPower with approximately $50 million of additional revenue in 2007.

STRATEGIC PLAN

Our company has developed a Strategic Plan to guide SaskPower to achieving our long-term vision: "People and innovation…powering Saskatchewan to a bright future." We envision a future with an engaged and diverse workforce that ensures our company provides timely and focused solutions for customers. This future will include an innovative culture that pursues productivity, cost savings and new revenue streams. Our business will be rooted in relationships with customers, suppliers and others. By delivering every day on our mission – "Safe, reliable and sustainable power to our customers" – SaskPower will continue to provide an essential service to the province and its residents.

Our Strategy Map identifies the following five strategic thrusts that will build toward the achievement of SaskPower's vision over the next five to 10 years:

1. Innovative culture & solutions
2. Passionate people
3. Productive partnerships
4. Powering Saskatchewan
5. A bright future

The thrusts are not intended to be strictly sequential – action will be undertaken in all thrusts throughout the strategic planning horizon. However, the majority of early activities and initiatives will originate from the lower numbered thrusts, and later from the higher numbered thrusts.

The strategy intends that our company will make an **innovative culture** a priority at the beginning of the strategic horizon. This thrust anticipates culture change driving innovation, in turn allowing SaskPower to seize opportunities while seeking to contain rates. This will ultimately result in the Corporation playing a leading industry role that has the beneficial effect of helping to retain the employees who are already exhibiting a high level of engagement.

The second thrust aims for SaskPower to optimize adaptability by building on its developing innovative culture to attract and retain the best, **passionate people**. This thrust recognizes that the people needed to achieve the vision will require leadership that sets clear expectations, recognizes high performance and provides opportunities for people to have a career, not simply a job.

The third thrust establishes the environment, framework and opportunities for **productive partnerships** to leverage synergies and maximize opportunities for the business, while further broadening staff capabilities. The thrust anticipates that by working in partnership internally and externally, SaskPower can proactively and rapidly satisfy customers. However, it also recognizes that such collaborations need systematic business development, as well as SaskPower employees who are appreciative of partners' business realities.

Optimizing benefits for the province is expected to be a key strategic challenge over the next two decades. The fourth thrust, **powering Saskatchewan**, explicitly addresses this task using the enhanced capabilities being made possible by the first three thrusts. In essence, this thrust recognizes that the long-term sustainable supply of electricity to an evolving society and economy will demand systematic asset renewal. It also acknowledges the need to exploit regional industry opportunities to build income from fuller utilization of the Corporation's capabilities. Achieving success presents challenges in transforming electrical and people assets. As a result, solutions will call for innovation, passionate people, and productive partnerships made possible by the first three thrusts.

The final thrust establishes a view of SaskPower's contribution to **a bright future** for the company and province. The thrust anticipates the continuously evolving competencies needed to provide ever-changing services to Saskatchewan's growing society and economy.

Within each thrust, SaskPower has identified financial, customer, process and people perspectives and related strategic objectives and measures that form our company's Balanced Scorecard. The Scorecard is the tool used by the Corporation to measure its short-term success in achieving its long-term vision.

CORPORATE BALANCED SCORECARD

A) Financial perspective

There are two strategic objectives associated with the Financial quadrant. The first strategic objective is: "Achieve financial objectives." The second strategic objective is: "Stimulate the Saskatchewan economy." It refers to the direct financial impact that our company has on the province's economic well-being. These financial performance measures are critical to ensure that SaskPower is managing operations and resources efficiently.

	Strategic objectives	Measures	2005 actual	2006 actual	2007 actual	2007 target	2008 target
FINANCIAL	Achieve financial objectives	Per cent debt ratio (%)	60.9	61.0	59.7	61.4	60 8
		Return on equity (%)	9.2	6.4	9.3	9.0	8.5
	Stimulate the Saskatchewan economy	Saskatchewan content in SaskPower purchases (%)	83	84	85	75	75

Per cent debt ratio – A measure of debt expressed as a percentage of the total corporate financing structure. The target reflects a prudent level of debt for an electrical utility. The 2007 per cent debt ratio of 59.7% was slightly better than target. The per cent debt ratio is discussed in detail in the financial results section of the MD&A.

Return on equity – A measure of net income for the year expressed as a percentage of total equity. The target reflects an appropriate rate of return relative to other Canadian electrical utilities. The return on equity was 9.3% in 2007, which was above the target for the year. The net income results are explained in detail in the financial results section of the MD&A.

Saskatchewan content in SaskPower purchases – A measure of the percentage of goods and services that were procured from Saskatchewan vendors (excluding fuel and purchased power). SaskPower has an active program of supplier development and seeks to source over 75% of its goods and services from Saskatchewan-based firms. In 2007, the Corporation exceeded its target.

B) Customer perspective

SaskPower exists to deliver its services to the people and businesses of Saskatchewan. There is one strategic objective associated with the Customer quadrant: "Service delivery renewal." This is a multi-phase, multi-year project that is underway to develop a new service delivery model. It is expected to result in a substantial increase in overall customer satisfaction through the implementation of improved customer service business processes and the supporting technology infrastructure.

	Strategic objectives	Measures	2005 actual	2006 actual	2007 actual	2007 target	2008 target
CUSTOMER	Service delivery renewal	Reliability System Average Interruption Duration Index (SAIDI)	4.2	4.1	4.5	3.5	3.5
		Reliability System Average Interruption Frequency Index (SAIFI)	1.7	1.7	2.0	1.7	1.7
		Customer satisfaction index (%)*	45	46	41	49	70
		Average annual rate increases (%)	-	4.9	4.3	4.3	5.0

*Note: * Starting in 2008, the customer satisfaction index will be measured using a 10-point scale.*

Reliability System Average Interruption Duration Index (SAIDI) – A measure of the average service interruption length in hours from a customer's point of view. This is used to track the Corporation's performance in responding to outages. The target reflects a normal year for SaskPower. The SAIDI measured a greater length of interruptions than the 2007 target, due largely to the accumulation of a higher number of incidents.

Reliability System Average Interruption Frequency Index (SAIFI) – A measure of the average service interruption frequency from a customer's point of view. This is used to track the overall performance of SaskPower's distribution system. The target reflects a normal year for SaskPower. The SAIFI measured a greater number of interruptions than the 2007 target due to adverse weather and equipment failures.

Customer satisfaction index – A measure of the percentage of customers who are "completely or very satisfied" with SaskPower's level of service. The target reflects SaskPower's objective of achieving continual improvement in the level of customer satisfaction. In 2007, the target was met in all customer classes with the exception of key account customers, who provided a greater number of neutral responses compared to prior years. The Service Delivery Renewal Project is expected to have a significant impact on this measure in the future.

Average annual rate increases – A measure of the Corporation's system average rate increases during the year. It is the objective of SaskPower to keep future rate increases to a minimum. The 5% target represents a threshold of what is considered to be moderate and reasonable rate increases. The rate increase introduced in February 2007 was in compliance with the target.

C) Process perspective

SaskPower's internal processes are a foundation of future success in all aspects of the Corporation's operations. There are three strategic objectives associated with the Process quadrant that summarize the importance of this area to our company's overall business success. The first is: "Make safety part of everything we do." Continued improvement in safety processes and practices are essential for the wellbeing of SaskPower's most important asset – its people. It will take a significant effort over a prolonged period in order to achieve the Corporation's ideal results of an injury free workplace. The second strategic objective is: "Improve sourcing practices." This relates to the recruitment of new SaskPower employees. The long-term goal is to have a workforce that is representative of the customers we serve. The final strategic objective in this quadrant is: "Improve operating and business process efficiencies."

	Strategic objectives	Measures	2005 actual	2006 actual	2007 actual	2007 target	2008 target
Process	Make safety part of everything we do	Injury severity rate	40	58	59	50	50
		Injury frequency rate	1.9	1.6	1.7	1.4	1.2
		Work observations (% completed)	•	•	•	•	85
		Major near miss frequency reporting rate	•	•	•	•	1.0
		Incident investigations, lost time injuries (%)	•	•	•	•	85
	Improve sourcing practices	Diversity candidates interviewed (%)	•	•	48	40	40
	Improve operating and business process efficiencies	Coal unit availability 1-year average (EAF%)	86.9	82.0	86.1	86.1	83.4
		Generating fleet (EAF%)	•	•	87.7	89.1	•
		Unqualified EMS audit reports (%)	•	100	100	100	•
		Demand side management program portfolio (MW)	•	•	•	•	3
		Renewable energy in generating fleet (%)	•	•	•	•	18.7
		Total CO_2e offset by green power (kilotonnes)	•	•	•	•	511

Note: • Denotes that actuals or targets were not available or reported for that time period.

Injury severity rate – A measure of the severity of injuries incurred at work during the year based on the number of days lost due to injury. The 2007 injury severity rate of 59 was off target but consistent with the prior year. The long-term objective is to have an injury free workplace.

Injury frequency rate – A measure of the number of injuries or illnesses that result in lost work time during the year. The 2007 injury frequency rate of 1.7 was off target but consistent with the prior year. The targets were set with the objective of achieving steady improvements in this area with the long-term objective of having an injury free workplace.

Work observations – A new measure of the percentage of safety work observations completed as a percentage of those scheduled. A work observation is a formal process where an employee is observed while performing a job or task and is provided coaching on what was observed in the interest of safety. A target of 85% has been established to support a safe work environment.

Major near miss frequency reporting rate – A new measure of the number of major near miss incidents that were reported during the year. A major near miss incident is defined as an incident which has the potential to result in death or permanent total disability of an employee(s). The target for 2008 has been set with the objective that one out of every 100 employees will report a major near miss incident. The reporting of major near miss incidents will serve to reduce the possibility of these types of incidents from occuring in the future.

Incident investigations, lost time injuries – A new measure of the percentage of reported lost time injuries investigated during the year. Incidents are analyzed with the intent of establishing root cause and corrective and preventive measures. A target of 85% was set as a first step, with a long-term objective of 100%.

Diversity candidates interviewed – A measure of the percentage of diversity candidates that are made available for hire at SaskPower. A strong pool of diversity candidates is considered critical to the Corporation's success in developing a workforce that more closely represents the community SaskPower serves (see People section of the Scorecard). A target of 40% diversity candidates among all applicants is considered necessary to enable the Corporation to achieve its long-term objectives.

Coal equivalent availability factor – A measure of the overall availability of the coal units, in a given period, to generate at their maximum continuous rating. This measure demonstrates the effectiveness of the Corporation's coal generation asset maintenance strategy. Given the relatively inexpensive fuel associated with the coal fleet, a high level of coal unit availability is an important factor in minimizing SaskPower's fuel and purchased power costs. The coal equivalent availability factor target is based on management's expectations for the year. The coal unit availablity target of 86.1% was achieved in 2007.

Generating fleet equivalent availability factor – A measure of the overall availability of the generating fleet, in a given period, to generate at their maximum continuous rating. This measure demonstrates the effectiveness of the Corporation's overall generation asset maintenance strategy. The wider availability of the entire fleet provides SaskPower with the ability to optimize the operation of the Corporation's generation fleet. The generating fleet equivalent availability factor for 2007 was 87.7%, which is 1.4% below management's expectations for the year. This measure will not be reported in 2008, as the Corporation is focused on measuring the availability of the coal units as described above.

Unqualified Environment Management System (EMS) audit reports – A measure of the percentage of unqualified (successful) audit reports received on audits conducted each year on SaskPower's ISO 14001 registered generation units. This measure relates to the Corporation's commitment to minimizing its environmental footprint and continuously improving its environmental performance. The target of 100% success represents SaskPower's commitment to maintain its ISO 14001 registration. This measure will not be formally reported in 2008; however, the ISO 14001 registration program will remain in place.

Demand side management program portfolio – A new measure of progress made on developing and delivering new demand side management programs. The accumulated demand reduction will be achieved through energy efficiency, demand response, customer self-generation and system improvement programs that are designed to achieve energy and/or demand savings. The target for 2008 has been set at 3 MW. The long-term target for this measure is to capture 300 MW of demand savings.

Renewable energy in generating fleet – A new measure of the percentage of SaskPower's total system energy requirements acquired from renewable energy sources. Renewable energy technologies include demand side management initiatives, small and large scale hydroelectric power, as well as various forms of biomass, solar, wind, heat recovery, landfill gas and geothermal projects. The target for 2008 has been set at 18.7%.

Total CO_2e offset by green power – A new measure of the amount of carbon dioxide emissions from conventional generation facilities avoided by the use of green power. The target for 2008 has been set at 511 kilotonnes.

D) People perspective

There are five strategic objectives associated with the People quadrant. The first objective is: "Engaged employees." Engaged employees are those that speak positively about the organization to co-workers, potential employees and customers; have an intense desire to be a member of the organization; and exert extra effort and are dedicated to doing the very best job possible to contribute to the organization's business success. Ensuring our employees are highly engaged is an important factor to enable SaskPower to retain its highly skilled workforce in increasingly competitive employment markets.

The second and third strategic objectives are: "Attract diversity" and "Representative workforce." These objectives focus on employees in the four designated areas: Aboriginal people, visible minorities, women in under-represented positions and persons with disabilities. The outcome sought is to have a representative workforce that more closely matches Saskatchewan demographics. This goal will also increase customer sensitivity, as well as improve the Corporation's internal culture.

The fourth strategic objective is: "Develop and exhibit strong leadership at all levels." Recent internal survey results indicated a desire for continuous improvement to the leadership exhibited at SaskPower. An improvement in leadership is expected to translate into a higher level of engagement among employees. Much progress has been made in this area, with more anticipated.

The final strategic objective is: "Support employee growth and development." Our business requires highly skilled and trained staff at all levels and occupations throughout SaskPower. Continuous learning is a vital component in achieving the skill levels required.

Strategic objectives	Measures	2005 actual	2006 actual	2007 actual	2007 target	2008 target
Engaged employees	Employee engagement index (%)	•	•	39	39	•
	Employee retention index (%)	•	•	1.5	<3	<3
Attract diversity	Net increase in diversity employees (#)	•	•	63	60	60
Representative workforce	Aboriginal employees (#)	•	•	167	174	+29/yr
	Visible minority employees (#)	•	•	72	72	+10/yr
	Women in under-represented positions (#)	•	•	195	184	+9/yr
	Persons with disabilities (#)	•	•	53	55	+12/yr
Develop and exhibit strong leadership at all levels	Leadership succession planning replacement rate (% of vacancy)	•	•	•	•	75
	Performance management appraisals (%)	•	•	100	100	100
Support employee growth and development	Total dollars spent on employee training (% of payroll)	•	•	0.9	1.5	1.6

Note: • Denotes that actuals or targets were not available or reported for that time period.

Employee engagement index – A measure of employee engagement. The intent is to measure employee engagement and retention on a regular basis and to improve the score to levels indicative of solid progress in this area. The target level of 39% was achieved in 2007. The actual results were based on an employee engagement survey conducted in May 2007. While there are many factors that may have resulted in the relatively low starting point, there are activities and initiatives planned that will move SaskPower in an appropriate direction in this regard. No target has been set for 2008, as this survey will only be conducted every other year.

Employee retention index – A measure of the number of voluntary resignations as a percentage of permanent staff. The target level was achieved in 2007.

Net increase in diversity employees – A measure of the number of employees hired during the year from one of the four designated target groups (Aboriginal people, visible minorities, persons with disabilities and women in under-represented positions). The target has been set as a starting point to move the organization towards its goal of having a workforce more representative of the Saskatchewan population. The target was exceeded in 2007.

Aboriginal employees – A new measure designed to illustrate the breakdown in each category that makes up the net increase in diversity employees described above. The target was set at a level that will allow the Corporation to achieve meaningful progress in the near term. SaskPower was slightly below this target in 2007.

Visible minority employees – A new measure designed to illustrate the breakdown in each category that makes up the net increase in diversity employees described above. The target was set at a level that will allow the Corporation to achieve meaningful progress in the near term. The target was met in 2007.

Women in under-represented positions – A new measure designed to illustrate the breakdown in each category that makes up the net increase in diversity employees described above. The target was set at a level that will allow the Corporation to achieve meaningful progress in the near term. The target was met in 2007.

Persons with disabilities – A new measure designed to illustrate the breakdown in each category that makes up the net increase in diversity employees described above. The target was set at a level that will allow the Corporation to achieve meaningful progress in the near term. SaskPower was slightly below this target in 2007.

Leadership succession planning replacement rate – A new measure of the percentage of vacant senior management positions which are filled during the year with employees from the leadership succession planning pool. The target for 2008 has been set at 75%.

Performance management appraisals – A measure of the percentage of performance management appraisals completed during the year. The target is to have 100% of performance management appraisals completed each year. This activity is a key component of the characteristics that SaskPower is seeking to instill in its leadership group. Setting expectations, linking them to SaskPower's annual Strategic Plan and Business Plan, and reviewing past performance is essential to this process. In 2007, the Corporation met its target of 100% compliance.

Total dollars spent on employee training as a percentage of payroll – A measure of the total dollars invested in employee training as a percentage of payroll costs. The Corporation did not meet its target for the year as training represented 0.9% of total payroll costs. The target represents a starting point with a long-term objective of 2% of payroll costs.

FINANCIAL RESULTS

(in millions)	2007	2006	Change
Revenue	**$ 1,469**	$ 1,353	$ 116
Expense	**1,331**	1,260	71
Net income	**$ 138**	$ 93	$ 45
Return on equity[1]	**9.3%**	6.4%	2.9%

1. Return on equity = (net income)/(average equity), where average equity = [(equity advances + retained earnings at year-end + equity advances + retained earnings at previous year-end)/2].

HIGHLIGHTS – Increase in revenue offsets rise in expense

SaskPower's consolidated net income was $138 million in 2007, an increase of $45 million from 2006. The rise in earnings was due to a $116 million improvement in revenue offset by a $71 million increase in expense. This resulted in a return on equity of 9.3%, compared to 6.4% in the previous year.

The $116 million improvement in revenue was attributable to an $87 million increase in Saskatchewan electricity sales, due to higher sales volumes and the 4.3% system-wide average rate increase implemented on February 1, 2007. In addition, there was also a $28 million increase in exports due to increased opportunities in the Alberta and in the Midwest Independent Transmission System Operator (MISO) markets.

Total expense rose $71 million due to a $56 million increase in operating, maintenance and administration expenses as a result of rising costs for salaries and benefits; additional pension expense; higher maintenance costs; and a write-down of the value of materials and supplies inventory. Depreciation was up $12 million due to a higher asset base and changes in depreciation rates. Finance charges were up $6 million, largely as a result of a lower amount of interest capitalized.

These increases in expenses were partially offset by a marginal decrease in fuel and purchased power costs, despite an increase in Saskatchewan and export sales volumes. The decrease in cost was due to an improvement in hydro and coal levels and a decline in natural gas costs.

In 2007, SaskPower declared $97 million in dividends payable to CIC, compared to $61 million in 2006.

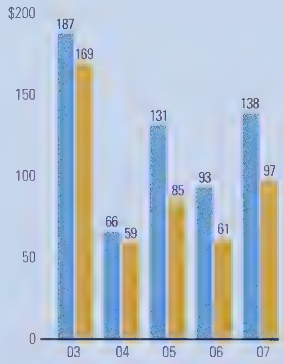
Outlook

SaskPower expects to earn $131 million in 2008, resulting in a return on equity of 8.5%.

Earnings are expected to increase as a result of higher Saskatchewan and export sales, due to an increase in domestic demand and improved opportunities in other jurisdictions.

These increases are expected to be offset by higher expenses in 2008. The largest increase will be in fuel and purchased power costs, which are expected to be 25% higher in 2008. The increase is due to an expectation of higher natural gas costs and an unfavourable change in the fuel mix as a result of lower water levels.

These earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.



NET INCOME AND DIVIDENDS (in millions)

Over the last five years, SaskPower has declared $471 million in dividends payable to CIC.

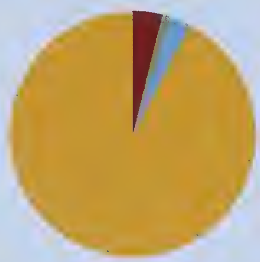
REVENUE

A) Saskatchewan electricity sales – Rate increase and higher demand

(in millions)	**2007**	2006	Change
Saskatchewan electricity sales	**$ 1,356**	$ 1,269	$ 87

Saskatchewan electricity sales were $1,356 million in 2007, up $87 million from 2006. The rise in Saskatchewan sales was due in part to the 4.3% system-wide average rate increase that came into effect February 1, 2007. The rate increase provided approximately $50 million in incremental revenue. Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel with final approval by cabinet.

The remaining increase was due to higher electricity sales volumes, which are driven by general economic conditions, number of customers and weather. In 2007, electricity sales volumes to Saskatchewan customers were 17,923 gigawatt hours (GWh), up 523 GWh or 3% from the previous year. Sales volumes were up in all customer classes with the exception of reseller customers, where volumes were down slightly.



2007 REVENUE

SASKATCHEWAN ELECTRICITY SALES 92%
EXPORTS 4%
NET SALES FROM ELECTRICITY TRADING 1%
OTHER 3%

Total revenue: $1,469 million

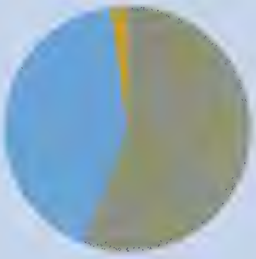
While exports increased in 2007, Saskatchewan electricity sales continued to make up the bulk of revenue.

B) Exports – Volumes and average prices up

(in millions)	**2007**	2006	Change
Exports	**$ 57**	$ 29	$ 28

Exports include the sale of SaskPower's surplus generation to other regions in Canada and the United States. Export pricing is not subject to the rate review process and is priced by the external market. Export sales volumes are dependent on surplus SaskPower generation, market conditions in other jurisdictions and transmission availability.

Exports were $57 million in 2007, compared to $29 million in 2006. This increase is primarily due to higher sales volumes and higher average prices realized from the Alberta and MISO markets. Export sales volumes increased 371 GWh compared to 2006, as our company had more surplus generation in 2007 due to favourable hydro conditions and decreased unit outages. The average export sales price of $67/megawatt hour (MWh) was up $7/MWh from 2006.



2007 EXPORTS BY MARKET

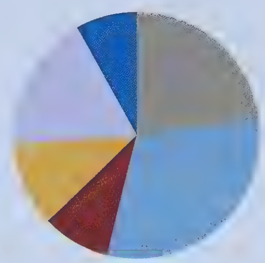
Exports: $57 million

Exports are made primarily to the Alberta and MISO markets.

C) Net sales from electricity trading – *Sales growth in new markets but a decline in margins*

(in millions)	**2007**	2006	Change
Electricity trading revenue	**$ 125**	$ 118	$ 7
Electricity trading costs	**(114)**	(103)	(11)
Net sales from electricity trading	**$ 11**	$ 15	$ (4)

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint Energy Solutions, include the purchase and resale of electricity and other electricity-related commodities and derivatives from regions outside Saskatchewan. Electricity trading revenues increased from $118 million in 2006 to $125 million in 2007. This increase is due to a 248 GWh rise in trading volumes, largely as a result of NorthPoint diversifying into other markets including the Pennsylvania, New Jersey & Maryland (PJM) interconnection market and the New York Independent System Operator (NYISO) market. The rise in sales volumes was partially offset by a decrease in the average sales price, which declined from $71/MWh in 2006 to $63/MWh in 2007.



2007 ELECTRICITY TRADING REVENUE BY MARKET

ALBERTA 23%
MISO 31%
ONTARIO 9%
NYISO 11%
PJM 18%
PACIFIC NORTHWEST 8%

Electricity trading revenue $125 million

Trading activities diversified into new markets in 2007.

While electricity trading revenues were up $7 million, the gross margin – or net sales after deducting related fuel and purchased power costs – was $11 million or 9% in 2007, compared to $15 million or 13% in 2006. The relative decline in the gross margin percentage was largely due to lower Alberta market prices in 2007, compared to the extremely high prices seen in the latter part of 2006. The higher cost of ancillary services associated with the purchase of electricity from the MISO market was also a contributing factor to the decline.

D) Other revenue – *Flyash; gas and electrical inspections; and wind production incentives increase*

(in millions)	**2007**	2006	Change
Other revenue	**$ 45**	$ 40	$ 5

Other revenue rose $5 million to $45 million in 2007. The increase was primarily due to higher flyash sales; rising gas and electrical inspection revenue; and additional revenues received from the Government of Canada as part of the wind power production incentive program. These increases were partially offset by a $2 million decline in the equity investment income earned from the MRM Cogeneration Station, which was $7 million in 2007 compared to $9 million in 2006.

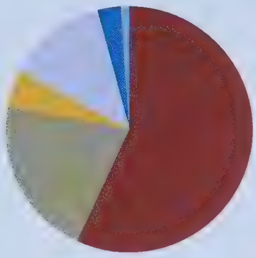
EXPENSE

A) Fuel and purchased power – *Higher hydro and coal generation, lower natural gas costs*

(in millions)	2007	2006	Change
Fuel and purchased power	**$ 494**	$ 498	$ (4)

The Corporation's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities, energy purchased through power purchase agreements, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve our company's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. In general, this means maximizing hydro and coal generation, which have the lowest incremental cost per unit of generation. Hydro generation is dependent upon water levels at our hydro facilities and coal generation is a product of the availability of our coal plants. Wind generation, the lowest incremental cost source of electricity, cannot be dispatched on a planned basis as it is dependent upon wind conditions.



2007 GROSS ELECTRICITY SUPPLIED (GWh)

COAL 57% | PURCHASED POWER 13%
HYDRO 21% | WIND 3%
GAS 5% | IMPORTS AND OTHER 1%

Gross electricity supplied: 20,571 GWh

Coal and hydro generation provided 78% of electrical requirements in 2007.

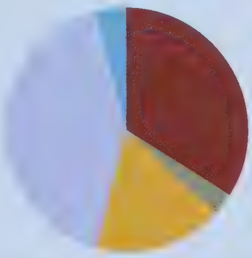
Total fuel and purchased power costs in 2007 were $494 million, compared to $498 million in 2006. The $4 million decrease is due to a change in the fuel mix and lower natural gas costs, offset by an increase in generation volumes and unrealized market value losses on natural gas hedges.

The fuel mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy that is generated from lower incremental cost units such as hydro, coal and wind, the more favourable the impact on fuel and purchased power costs. In 2007, hydro generation volumes increased by 361 GWh or 9%, as water levels at hydroelectric plants were higher than the levels achieved in the prior year. In addition, coal generation was up 559 GWh or 5% in 2007, due to the extensive rebuild that took place at Poplar River Power Station Unit #2 in 2006.

Adding to the favourable change in the fuel mix was a decrease in the average cost of natural gas issued from SaskPower's inventory in 2007. Natural gas is used to supply the Corporation's gas-fired plants and the Cory and Meridian Cogeneration Stations.

These favourable changes were partially offset by an increase in the volume of electricity generated to source additional sales to Saskatchewan customers and exports. Total generation and purchased power of 20,571 GWh in 2007 was an increase of 857 GWh over the prior year.

SaskPower also recorded $13 million in unrealized market value losses on its natural gas hedges in 2007. The Corporation began recording market value gains/losses on its natural gas hedges in 2007 in accordance with the new financial instrument accounting standards. SaskPower was not required to record these unrealized gains/losses in 2006. For further analysis of the impact of the change in accounting policy, refer to page 38.



2007 FUEL AND PURCHASED POWER

COAL 34% | PURCHASED POWER 42%
HYDRO 3% | IMPORTS AND OTHER 4%
GAS 17%

Fuel and purchased power: $494 million

Coal and hydro represent 37% of the total fuel and purchased power costs, while providing the bulk of electrical requirements.

B) Operating, maintenance and administration (OM&A) – Higher costs in all categories

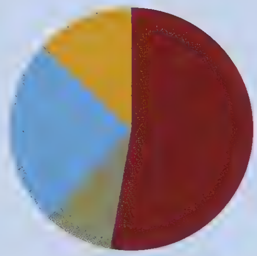
(in millions)	2007	2006	Change
OM&A	**$ 416**	$ 360	$ 56

OM&A expense was $416 million in 2007, compared to $360 million in 2006. This $56 million increase was largely the result of an increase in salaries and benefits; additional pension expense; higher maintenance costs; and costs related to the write-down of materials and supplies inventory.

Salaries and benefits increased $20 million primarily as a result of general economic increases; collective bargaining settlements with the International Brotherhood of Electrical Workers (IBEW) and Communications, Energy and Paperworkers (CEP) unions; and staff increases.

The pension expense relating to the Corporation's defined benefit plan increased $15 million, almost entirely due to $13 million of additional costs resulting from a plan amendment that provides pensioners with regular benefit increases equal to 70% of the increase in the Saskatchewan consumer price index (CPI).

The Corporation experienced an overall increase of $14 million in other OM&A costs, largely due to an increase in maintenance work performed on the Corporation's generation facilities.



OM&A expense: $416 million

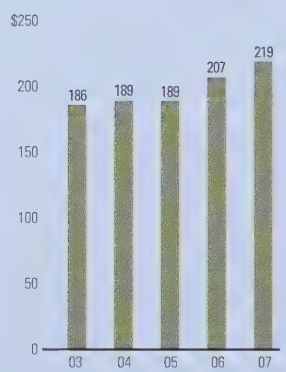
People costs – salaries and benefits and external services – represent 78% of OM&A expense.

SaskPower also recorded a $7 million write-down of the value of the maintenance materials and supplies at the Corporation's generation stations. The accounting adjustment was necessitated by recent and planned upgrades to SaskPower's generating facilities that resulted in the existing inventory being considered obsolete or excess.

C) Depreciation – Change in depreciation rates, ongoing capital expenditures

(in millions)	2007	2006	Change
Depreciation	**$ 219**	$ 207	$ 12

Depreciation expense amounted to $219 million in 2007, up $12 million from 2006. The rise in depreciation expense is attributable to an increase in depreciation rates on SaskPower's generation assets, based on the results of a study performed in 2006. The revised depreciation rates have been applied prospectively beginning January 1, 2007, and have caused an estimated $8 million increase in the 2007 depreciation expense. The remaining increase is due to growth in the asset base as a result of ongoing capital expenditures.



DEPRECIATION (in millions)

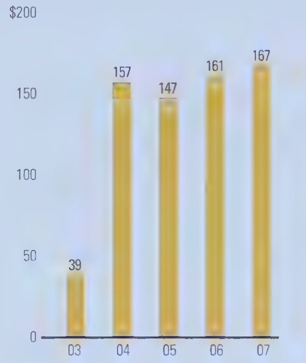
Depreciation costs have increased steadily as SaskPower continues to add to its asset base.

D) Finance charges – Higher due to lower interest capitalized

(in millions)	2007	2006	Change
Finance charges	**$ 167**	$ 161	$ 6

Finance charges of $167 million in 2007 were up $6 million from 2006. This increase was largely due to a $5 million decline in the amount of interest capitalized as a result of lower capital spending in 2007 and the commissioning of the 150-MW Centennial Wind Power Facility in March 2006.

In addition, there was a decrease in debt retirement fund earnings as a result of lower returns, partially offset by a non-cash gain in the market value of the funds.



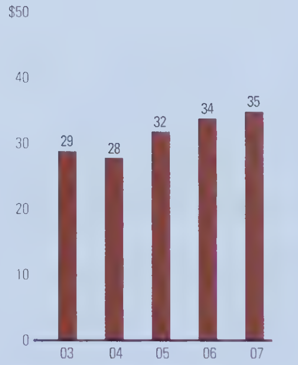
FINANCE CHARGES (in millions)

Finance charges include the net amount of interest on recourse and non-recourse debt; interest capitalized; debt retirement fund earnings and changes in the market value; interest income; and foreign exchange gains/losses.

E) Taxes – Grants-in-lieu grow with additional revenue

(in millions)	2007	2006	Change
Taxes	**$ 35**	$ 34	$ 1

Corporate capital tax and grants-in-lieu of taxes were $35 million in 2007, compared to $34 million in 2006. The slight increase is largely due to an increase in grants-in-lieu of taxes as a result of the growth in residential revenues. Grants-in-lieu of taxes are paid to 13 cities in Saskatchewan based on electricity sales earned in accordance with agreements between SaskPower and those cities.



TAXES (in millions)

Tax levels have increased modestly the past five years as a result of the increase in Saskatchewan electricity sales and a growing capital tax base.

LIQUIDITY AND CAPITAL RESOURCES

SaskPower raises most of its capital requirements through internal operating activities and long-term debt through the Saskatchewan Ministry of Finance. This type of borrowing allows our company to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates. SaskPower also has available credit of $51 million at financial institutions that it can draw upon. *The Power Corporation Act* provides the Corporation with the authority to have outstanding borrowings of up to $5 billion.

The other major sources of financing utilized by our company include non-recourse debt that was issued in 2001 to finance the Corporation's share of the Cory Cogeneration Station and $660 million in equity advances that were provided by CIC over the period of 1989–1992 to form CIC's equity capitalization in SaskPower.

Cash position

(in millions)	2007	2006	Change
Cash and cash equivalents	**$ 84**	$ 20	$ 64

Cash and cash equivalents were $84 million in 2007, up $64 million from the prior year. The $64 million increase in the cash position was the result of $373 million provided by operating activities, offset by $248 million used in investing activities and a $61 million outflow of cash related to financing activities.

A) Operating activities – *Higher revenues improve operating cash position*

(in millions)	2007	2006	Change
Net income net of non-cash items	**$ 373**	$ 278	$ 95
Net change in non-cash working capital	**–**	(23)	23
Cash provided by operating activities	**$ 373**	$ 255	$ 118

Net income net of non-cash items was $373 million in 2007, up from $278 million in 2006. The $95 million increase from the prior year was the result of higher revenues. Expenses, after deducting non-cash items, were relatively unchanged from the prior year.

The Corporation's working capital remained unchanged during 2007. This compares to a $23 million net decline during 2006.

B) Investing activities – *Upgrading and expanding capital facilities*

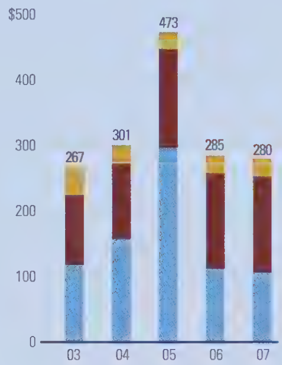
(in millions)	2007	2006	Change
Generation	**$ 107**	$ 113	$ (6)
Transmission and distribution	**146**	145	1
Other	**27**	27	–
Total capital expenditures	**280**	285	(5)
Customer contributions and net proceeds on removal	**(25)**	(22)	(3)
Equity investment distributions	**(9)**	(5)	(4)
Reclassification of short-term investment	**2**	–	2
Cash used in investing activities	**$ 248**	$ 258	$ (10)

In order to ensure a safe, reliable, and sustainable supply of electricity for its customers, SaskPower invested $280 million in various capital projects during 2007, compared to $285 million in 2006. Major capital investments included:

- $107 million on generation assets, including $44 million in preparation for the $140 million life extension of the 281-MW Poplar River Power Station Unit #1;
- $146 million on transmission and distribution assets, including $89 million to connect customers to the SaskPower electric system and $11 million to replace aging wooden poles; and
- $27 million on other capital assets, including vehicles, equipment, and computer information and technology assets.

Also included in investing activities are the following transactions during the year:

- Total customer contributions were $24 million, up $3 million from 2006. Customer contributions are funds received toward the costs of service extensions. These contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset.
- The net proceeds on removal of assets was $1 million in 2007, compared to nil in 2006. Included in net proceeds on removal in 2007 was $2 million received from the sale of property to Saskatchewan Property Management. This sale was accounted for as a related party transaction and was measured at carrying value, as the sale was considered to not be in the normal course of operations. As such, the excess of the consideration received over the net book value of the property was credited to retained earnings.
- In 2007, the Corporation received $9 million in cash distributions from its equity investment in the MRM Cogeneration Station.
- In addition, the Corporation has reclassified its $2 million investment in non-bank asset-backed commercial paper (ABCP). This held-for-trading investment was previously classified as cash and cash equivalents on the balance sheet. Due to liquidity issues relating to ABCP, this investment has been reclassified to other long-term assets. The investment is recorded on the balance sheet at its estimated fair value as at December 31, 2007.



CAPITAL EXPENDITURES (in millions)

SaskPower has invested over $1.6 billion in its capital infrastructure over the last 5 years.

C) Financing activities – Net debt largely unchanged

(in millions)	**2007**	2006	Change
Net proceeds of new borrowings	**$ 38**	$ 53	$ (15)
Debt retirement fund installments	**(23)**	(22)	(1)
Dividends paid	**(76)**	(73)	(3)
Cash used in financing activities	**$ (61)**	$ (42)	$ (19)

In 2007, $61 million of cash was used for financing activities, compared to $42 million in 2006. The $61 million outflow of cash was made up of the net proceeds from new borrowings, less debt retirement fund installments and dividend payments to CIC.

Long-term debt

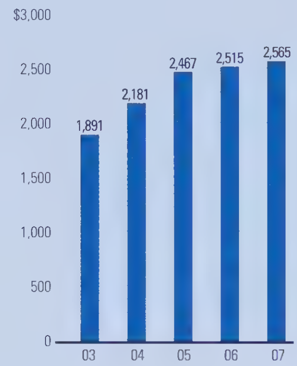
(in millions)	**2007**	2006	Change
Gross long-term debt	**$ 2,565**	$ 2,515	$ 50
Less: current portion of long-term debt	**(340)**	(66)	(274)
Total long-term debt	**$ 2,225**	$ 2,449	$ (224)
Per cent debt ratio[1]	**59.7%**	61.0%	(1.3)%

1. Per cent debt ratio = (debt)/(debt + equity), where debt = (long-term + current portion of long-term debt – debt retirement funds – cash and cash equivalents).

SaskPower's gross long-term debt position was $2,565 million at December 31, 2007, up $50 million from December 31, 2006. The rise in gross debt is the result of the following:

- The Corporation, through the Saskatchewan Ministry of Finance (General Revenue Fund), borrowed an additional $100 million of long-term debt at a cost of 4.49%. The borrowing has a coupon rate of 4.75% and a maturity date of June 1, 2040.
- The Corporation repaid $63 million of long-term debt with interest rates ranging from 9.12% to 9.88%.
- Through its subsidiary, SaskPower International, the Corporation repaid $3 million of non-recourse debt.
- The carrying amount of the long-term debt on the balance sheet has been restated to include $16 million of unamortized debt premiums net of issue costs. Debt premiums and issue costs were previously recorded as other liabilities and other assets respectively on the balance sheet. The reclassification was made upon the adoption of the new Canadian Institute of Chartered Accountants (CICA) financial instruments standards on January 1, 2007.

The Corporation's per cent debt ratio has decreased slightly to 59.7% in 2007, from 61.0% in 2006. Despite additional borrowings in 2007, the per cent debt ratio declined due to earnings, debt repayments, growth in debt retirement funds and a higher cash balance, which more than offset the increased borrowings.



GROSS LONG-TERM DEBT AT DECEMBER 31 (in millions)

Debt levels have been increasing to finance capital expenditures.

Debt retirement funds

(in millions)	**2007**	2006	Change
Debt retirement funds	**$ 237**	$ 201	$ 36

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Province of Saskatchewan.

The Corporation's debt retirement funds increased $36 million to $237 million at December 31, 2007. The increase in the value of the funds is the result of $23 million in contributions (classified as financing activities) and $13 million in earnings and market value adjustments (classified as non-cash operating activities and adjustments to opening retained earnings) during the year.

Dividends

SaskPower pays dividends to the CIC based on the CIC Dividend Policy. Dividends were calculated based on 65% of net income, excluding unrealized gains and losses on held-for-trading financial instruments. Dividends on each three month period's net earnings are paid quarterly, with a one quarter lag to allow time for the financial statements to be audited before the annual dividend is finalized.

In 2007, SaskPower paid $76 million in dividends, which includes dividends declared in the fourth quarter of 2006 and the first three quarters of 2007. For the 2007 calendar year, the Corporation declared dividends of $97 million. The final quarterly installment of $31 million is payable to CIC on March 31, 2008.

Contractual obligations

The Corporation had the following significant long-term contractual obligations as at December 31, 2007:

(in millions)	2008	2009	2010	2011	2012 and beyond	Total
Long-term debt	$ 340	$ 7	$ 4	$ 4	$ 2,194	$ 2,549
Debt retirement fund installments	24	21	21	21	389	476
Power purchase agreements	257	264	269	275	4,569	5,634

Outlook

SaskPower expects to continue to make substantial investments in infrastructure over the next 5 years. Capital expenditures in 2008 are forecast to be approximately $470 million. This includes costs to refurbish Poplar River Power Station Unit #1, upgrade various transformers and transmission lines, and connect new customers to SaskPower's grid. It also includes costs for the installation of simple cycle natural gas turbines.

The Corporation's other financing requirements for the year will include the repayment of $340 million of high coupon (7.70% - 10.31%) and non-recourse debt, $24 million of required debt retirement fund installments, and $257 million in minimum payments under existing power purchase agreements. SaskPower plans to finance the debt maturities through new borrowings at more favourable interest rates. The Corporation will evaluate the need for additional borrowings throughout the year.

SASKPOWER SUBSIDIARIES

SaskPower has three wholly-owned subsidiaries: SaskPower International Inc. (SaskPower International), NorthPoint Energy Solutions Inc. (NorthPoint) and Power Greenhouses Inc. (Shand Greenhouse).

Each subsidiary prepares and issues separate audited financial statements. The financial activities of SaskPower's subsidiaries are consolidated within the financial statements of SaskPower in accordance with Canadian generally accepted accounting principles (GAAP) as summarized below. Shand Greenhouse grows and distributes tree and shrub seedlings and operates on a break-even basis. The financial results of this subsidiary are not considered to be material and have been included in the SaskPower utility results.

2007 segmented statement of income and financial position
(in millions)

	SaskPower utility *(Notes 1 and 3)*		SaskPower International		NorthPoint		Adjusting entries *(Note 2)*		Consolidated SaskPower	
Statement of income	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Revenue	**$1,471**	$1,356	**$ 51**	$ 47	**$ 133**	$ 126	**$ (186)**	$ (176)	**$1,469**	$1,353
Expense	**1,336**	1,265	**32**	31	**120**	108	**(157)**	(144)	**1,331**	1,260
Net income	**$ 135**	$ 91	**$ 19**	$ 16	**$ 13**	$ 18	**$ (29)**	$ (32)	**$ 138**	$ 93
Statement of financial position										
Current assets	**$ 613**	$ 585	**$ 37**	$ 40	**$ 39**	$ 43	**$ (268)**	$ (314)	**$ 421**	$ 354
Property, plant and equipment	**3,617**	3,575	**117**	120	**–**	–	**–**	–	**3,734**	3,695
Debt retirement funds and other assets	**373**	360	**252**	258	**–**	–	**(302)**	(303)	**323**	315
Total assets	**$4,603**	$4,520	**$ 406**	$ 418	**$ 39**	$ 43	**$ (570)**	$ (617)	**$4,478**	$4,364
Current liabilities	**$ 600**	$ 335	**$ 249**	$ 258	**$ 23**	$ 28	**$ (264)**	$ (309)	**$ 608**	$ 312
Long-term debt	**2,143**	2,362	**82**	87	**–**	–	**–**	–	**2,225**	2,449
Other liabilities	**355**	362	**1**	1	**–**	–	**(226)**	(228)	**130**	135
Total liabilities	**$3,098**	$3,059	**$ 332**	$ 346	**$ 23**	$ 28	**$ (490)**	$ (537)	**$2,963**	$2,896
Equity	**1,505**	1,461	**74**	72	**16**	15	**(80)**	(80)	**1,515**	1,468
Total liabilities and equity	**$4,603**	$4,520	**$ 406**	$ 418	**$ 39**	$ 43	**$ (570)**	$ (617)	**$4,478**	$4,364

Notes:

1. Includes Shand Greenhouse expense of $1 (2006 - $1) and assets of $3 (2006 - $4).
2. Adjusting entries eliminate inter-company transactions.
3. SaskPower utility results are presented on the cost basis.
4. Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.
5. The subsidiary financial statements are available at saskpower.com.

SaskPower International

PROFILE

SaskPower International was established in 1994 as a wholly-owned subsidiary of SaskPower. SaskPower International currently has an ownership interest in three power generating stations:

- The 228-MW Cory Cogeneration Station is located at the PCS Potash Cory Division. It is jointly owned on a 50/50 basis with ATCO Power. The electricity generated by the facility is sold to SaskPower under the terms of a 25-year power purchase agreement. The steam is delivered to the PCS Potash Cory Division for use in its industrial processes.
- The 172-MW MRM Cogeneration Station is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta. It is owned 30% by SaskPower International and 70% by ATCO. The Muskeg River Mine uses all the steam output from the plant and currently uses approximately half of the electricity output. The remaining electricity is sold into the Alberta power grid.
- The 150-MW Centennial Wind Power Facility began commercial operations on March 15, 2006. It is located approximately 25 kilometers southeast of Swift Current. The electricity generated by this SaskPower International-owned facility is sold to SaskPower under the terms of an interim power purchase agreement.

SaskPower International's other business line is the marketing and sale of flyash, which is a byproduct of coal burned at SaskPower's Boundary Dam Power Station and Shand Power Station. The flyash is used in applications such as ready-mixed concrete, concrete block, pipe, paving stones and environmental remediation activities (including oil well cementing, mine backfill and road base stabilization).

FINANCIAL OVERVIEW

Net income was $19 million in 2007, up $3 million from 2006. The increase was primarily due to higher earnings from the Centennial Wind Power Facility. In addition, earnings increased from the Cory Cogeneration Station and flyash. These increases were offset by the lower equity investment income received from the MRM Cogeneration Station. SaskPower International declared $17 million in dividends payable to SaskPower in 2007.

Revenue

Total revenues were $51 million in 2007, up $4 million from 2006. The increase was primarily due to revenues from the first complete year of operations of the Centennial Wind Power Facility and an increase in flyash revenue due to higher sales in 2007.

Equity investment income from the MRM Cogeneration Station was $7 million in 2007, compared to $9 million in 2006. The decrease is primarily the result of lower Alberta Power Pool prices. The Alberta Power Pool is the wholesale market for electricity that is coordinated by the Alberta Electric System Operator (AESO). The average Alberta Power Pool price was $67/MWh in 2007, compared to $80/MWh in 2006.

Expense

Total expense of $32 million in 2007 was $1 million higher than in 2006. The increase was primarily due to a full operational year of the Centennial Wind Power Facility and higher flyash expense due to the increase in flyash sales, offset by a decrease in Cory Cogeneration Station operating expense.

Outlook

SaskPower International's 2008 net income is expected to be $14 million, compared to $19 million in 2007. Higher earnings from the Cory Cogeneration Station and flyash are expected to be offset by reduced equity investment income from the MRM Cogeneration Station and reduced earnings from the Centennial Wind Power Facility. Equity investment income is expected to decline due to lower projected Alberta Power Pool sales. Earnings from the Centennial Wind Power Facility are expected to decline as the higher than expected winds experienced in 2007 are projected to return to originally forecasted levels.

MRM and Cory Cogeneration Stations' earnings are projected to be positive and vary from year to year, primarily due to each station's maintenance cycle requirements. MRM Cogeneration Station earnings can also vary due to market fluctuations in the Alberta Power Pool, electricity available for sale and natural gas prices. The Centennial Wind Power Facility earnings are projected to be positive, but can vary from year to year, due to natural fluctuations in wind speeds.

NorthPoint

PROFILE

NorthPoint is a wholly-owned subsidiary of SaskPower. It was formed in late 2001 to meet requirements associated with SaskPower's OATT that mandates the separation of transmission and wholesale marketing functions.

NorthPoint has a service agreement with SaskPower to perform generation and load management services, provide electricity export and import functions related to the generation assets of SaskPower, and to manage SaskPower's natural gas supplies for its natural gas-fired power plants. The generation and load management services include coordinating the economic dispatch of SaskPower's generation capacity and the dispatch of four long-term power purchase agreements on a continuous basis. The electricity export and import functions include the selling of surplus generation to other jurisdictions and purchasing electricity for domestic load when shortfall in supply occurs or lower cost supply is available. Gas management services for SaskPower include coordinating and balancing SaskPower's natural gas requirements, managing injections to and withdrawals from SaskPower's natural gas storage assets, and managing natural gas price risk with physical and financial hedging activity.

NorthPoint also acts as a principal in wholesale electricity trading transactions that do not relate to the generation assets of SaskPower. In Canada, it operates in Alberta, Manitoba and Ontario. In the United States (U.S.), it actively participates in markets in the Northwest, Mid-Continent, and East. NorthPoint operates mainly under two umbrella trading agreements: Mid-Continent Energy Marketers Association Tariff and Western Systems Power Pool Agreement.

FINANCIAL OVERVIEW

Net income for 2007 was $13 million, a decrease of $5 million over 2006. NorthPoint declared $12 million in dividends payable to SaskPower, a decrease compared to the 2006 dividend of $16 million.

Revenue

Electricity trading revenue was $124 million in 2007, compared to $118 million in 2006. The $6 million increase reflects a 248 GWh increase in volumes. This was partially offset by a $8/MWh decrease in average sale prices due to lower prices during the latter part of the year. There was also a $1 million increase in other energy market revenue. The majority of electricity revenue – $80 million – came from U.S. counterparties, with the remaining $44 million coming from Canadian counterparties. This marks a shift from prior years, when the majority of electricity trading revenue came from Canadian counterparties, and reflects NorthPoint's continuing diversification. Sales to U.S. counterparties continued to increase in 2007 as NorthPoint increased volumes in the Midwest Independent System Operator (MISO) and Pennsylvania, New Jersey & Maryland (PJM) interconnection markets, and entered the New York Independent System Operator (NYISO) market as well.

The margin earned on electricity sales in 2007 was $11 million or 9%, compared to $15 million or 13% in 2006. The gross margin percentage was greater in 2006 due to the higher sales prices realized in the Alberta market, particularly during the latter part of the year.

In 2007, NorthPoint earned $8 million in service revenue, compared to $7 million in 2006. Service revenue from SaskPower provided approximately 6% of NorthPoint's total revenue.

Expense

Electricity trading expense rose to $114 million in 2007 from $103 million in 2006. This increase was due to a 237 GWh increase in the volumes required to meet increased electricity sales demand, with a small decrease in the average purchase price of electricity of $1/MWh. Administration expense of $6 million increased slightly primarily due to the increase in salary and benefit costs associated with the additional number of employees.

Outlook

Although unusual events like the exceptionally high Alberta electricity prices in July 2007 cannot be expected to occur every year, net income for 2008 is expected to be similar to 2007, as NorthPoint's Business Plan provides for increases in staff levels and increased activity and profit. Although there is a possibility of more volatility in Alberta due to decreasing reserve margins, the outlook for other markets is an expected return to more stable and less volatile market conditions in the short term. These expectations are subject to significant variability as a result of weather, economic conditions and market conditions in other jurisdictions. NorthPoint continues to attempt to grow revenues by entering new markets, such as the NYISO. NorthPoint is also in the process of becoming enabled in the Southwest Power Pool and California markets.

OFF-BALANCE SHEET ARRANGEMENTS

The Canadian Institute of Chartered Accountants (CICA) recommends that corporations disclose all off-balance sheet arrangements if they have or are likely to have a material current or future effect on the financial condition of the Corporation. SaskPower has the following off-balance sheet arrangements that are considered to be significant.

A) Employees' future benefits

The Corporation provides pension plans for all eligible employees, including a defined benefit pension plan, defined contribution pension plan and other severance plans. The funded status (the difference between the plan assets and accrued benefit obligations) of the Corporation's employee future benefit plans is not recognized on the balance sheet as at December 31, 2007. Under current Canadian GAAP, only disclosure of the funded status in the notes to the financial statements is required. In addition, using a measurement date up to three months prior to the balance sheet date is permitted. The measurement date of the latest actuarial valuation used to determine the plan assets and obligations of the various plans was September 30, 2007.

The funded status of the defined benefit pension plan and the present value of the accrued benefits under the other benefit plans are disclosed in *Note 23* to the consolidated financial statements.

B) Energy performance contracts

Energy performance contracts are packages that provide energy savings to certain large commercial customers of SaskPower. The packages are comprehensive facility improvement programs that normally include the installation of new energy efficient equipment, which is intended to pay for itself through energy savings. SaskPower guarantees these energy savings. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings will be realized.

SaskPower has not recorded an asset or liability in respect of these contracts, as the promised energy savings were being realized on all energy performance contracts as of December 31, 2007. In the event that the energy savings were not being realized, SaskPower would be liable to the customer for the guaranteed savings. A payable to the customer and a receivable from the third party that provided an offsetting guarantee to SaskPower would be recorded on the balance sheet.

The value of the guarantees is disclosed in *Note 19(d)* to the consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

SaskPower's significant accounting policies are described in *Note 2* to the consolidated financial statements. Some of these policies involve accounting estimates that require management to make particularly subjective or complex judgements about matters that are inherently uncertain. Different conditions or assumptions regarding the estimates could result in materially different results being reported. Management has discussed the development and selection of these critical accounting policies with the Board of Directors and the external auditors.

The following section discusses the critical accounting estimates and assumptions that management has made and how they affect the amounts reported in the consolidated financial statements.

A) Change in accounting policy – financial instruments

Effective January 1, 2007, SaskPower adopted the new CICA Section 1530, "Comprehensive Income;" Section 3251, "Equity;" Section 3855, "Financial Instruments – Recognition and Measurement;" Section 3861, "Financial Instruments – Disclosure and Presentation;" and Section 3865, "Hedges." These sections are collectively referred to as the financial instrument standards. Refer to *Note 3* in the consolidated financial statements.

Other comprehensive income

The statement of comprehensive income and the statement of accumulated other comprehensive income are new financial statements resulting from the adoption of the above financial instrument standards. Other comprehensive income is a temporary location for certain unrealized gains and losses that have been recorded on the balance sheet, but are not required to be reported in the income statement. All amounts reported in other comprehensive income will eventually be reclassified to net income.

SaskPower's accumulated other comprehensive income balance represents a transitional unrealized market loss on the Corporation's natural gas hedges effective December 30, 2006. The transitional loss is the result of SaskPower's decision to discontinue hedge accounting effective December 30, 2006, and from the adoption of the financial instrument standards.

In accordance with the new financial instrument standards, this transitional market loss is being reclassified from other comprehensive income to net income (fuel and purchased power) as the contracts mature. The reclassification is based on the December 30, 2006, market value and the settlement date of each natural gas hedge.

Income statement impact

The new financial instrument standards require the Corporation to measure certain financial instruments at fair value and record this amount on the Corporation's balance sheet. These financial instruments include the Corporation's natural gas hedges, electricity trading contracts and debt retirement funds. The change in the market value (gain or loss) of these financial instruments is charged to the revenue/expense category to which they relate.

The year-to-date net impact to the income statement from recording the changes in the market value of the natural gas hedges, electricity trading contracts and debt retirement funds as well as the reclassification of the transitional amount from the discontinuation of hedge accounting is the following:

	Market value gain/(loss)				
Financial instrument (in millions)	**Q1**	**Q2**	**Q3**	**Q4**	**Change**
Natural gas hedges	$ 16	$ (13)	$ (8)	$ 7	$ 2
Natural gas hedges transitional market value losses reclassified to net income	(4)	(4)	(4)	(3)	(15)
Net market value adjustment related to natural gas hedges	12	(17)	(12)	4	(13)
Electricity trading contracts	–	(1)	–	1	–
Debt retirement funds	(1)	(7)	3	6	1
Total impact to net income in 2007	$ 11	$ (25)	$ (9)	$ 11	$ (12)

The above are non-cash gains (losses) on changes in the market value of the underlying assets – natural gas hedges, electricity trading contracts and debt retirement funds. These gains (losses) have not been realized and are subject to change based on fluctuations in the market value of the underlying assets.

B) Depreciation

Property, plant and equipment represents 83% of total assets recognized on SaskPower's balance sheet. Included in property, plant and equipment are the generation, transmission, distribution and other assets of the Corporation. Due to the size of SaskPower's property, plant and equipment, changes in estimated depreciation rates can have a significant impact on income.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful lives of the assets are based on formal depreciation studies that are performed every five years, with annual reviews for reasonableness. The estimated useful lives are determined based upon manufacturer's guidance on asset life, SaskPower's past experience with similar assets, industry averages and expectations about future events that could impact the life of the asset.

A one-year increase in the average estimated service life of each of the major asset categories of property, plant and equipment would result in a $14 million decrease to depreciation expense in the current year.

Effective January 1, 2007, following the completion of a depreciation study, the average estimated useful lives of certain asset categories have been changed. The impact of this change in estimate increased depreciation expense by approximately $8 million in 2007. See *Note 2(h)* and *Note 7* to the consolidated financial statements for additional discussion of the Corporation's depreciation expense.

C) Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. SaskPower recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. The Corporation recognizes asset retirement obligations to decommission coal, gas, cogeneration and wind generation facilities in the period in which the facility is commissioned. SaskPower has not recognized an obligation for the transmission, distribution and hydro generation assets, as an estimate of their fair value cannot be determined. The Corporation expects to maintain and operate these assets indefinitely.

The fair value of the estimated asset retirement costs is recorded as a liability in other liabilities with an offsetting asset capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) on the liability. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included with depreciation expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows, including the method and timing of decommissioning and estimates of future inflation.

A 0.5% increase in the credit-adjusted risk-free rate would result in a $3 million decrease to the asset retirement obligation, a $1 million decrease to the asset retirement asset and no material impact on depreciation expense in the current year. See *Note 2(j)* and *Note 16* to the consolidated financial statements for additional discussion of the Corporation's asset retirement obligations.

D) Employees' future benefits

As explained in *Note 2m* and *Note 23* to the consolidated financial statements, the Corporation provides post retirement benefits to employees, including a defined benefit pension plan. The defined benefit pension plan (the Plan), substantially closed to new members since 1977, provides benefits based on the average of the highest five years' annual pensionable earnings and years of service. Pensions are increased annually at a rate equal to 70% of the increase in the Saskatchewan Consumer Price Index.

The cost of pension benefits under the Plan are actuarially determined using the projected benefit method prorated on service. It reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing up to the rate of inflation. Market rates are used to measure the accrued benefit obligation and fair value to measure the pension plan assets. The actual results over the short term may differ greatly from the long-term assumptions. However, the use of long-term financial assumptions to calculate pension expense is considered appropriate due to the long-term financial commitment that a pension plan represents.

An independent actuary calculates defined benefit pension plan costs based on the long-term assumptions described above. In 2007, the actuary calculated pension expense of $8 million compared to pension income of $7 million in 2006. This is a non-cash item that is included in operating, maintenance and administration expense on the income statement.

Changes in the long-term assumptions, including the anticipated return on plan assets and the discount rates used in determining the benefit obligation and current period service costs, can have a significant impact on the pension costs of the Corporation.

The expected rate of return on plan assets is based upon economic forecasts for the types of investments held by the Plan. As a result of higher than expected earnings, the long-term rate of return on plan assets was increased from 6.5% at the beginning of the year to 6.75% at the end of the year.

The discount rate is based on the spot yield for high-grade, long-term Canadian corporate bonds. The discount rate was also increased from 5.25% at the beginning of the year to 5.75% at the end of the year to reflect the change in bond markets over that period.

A 0.5% increase in both the expected long-term rate of return on plan assets and the discount rate would result in a $4 million decrease in pension expense and a $4 million increase in the defined benefit pension asset recorded in the consolidated financial statements.

E) Unbilled revenue

Electric revenues are billed on a systematic basis over a monthly or quarterly period for all SaskPower customer classes. At the end of each month, the Corporation makes an estimate of the electricity delivered to its customers since their last billing date. The estimated unbilled revenue is based on several factors including estimated consumption by customer class, applicable customer rates and the number of days between the last billing date and the end of the period. As at December 31, 2007, total Saskatchewan electricity sales of $1,356 million included $57 million of estimated unbilled revenues.

FUTURE ACCOUNTING POLICY CHANGES

A) Financial instruments – disclosure and presentation

In December 2006, the Accounting Standards Board (AcSB) issued two new CICA handbook sections which expand the disclosure requirements on financial instruments: Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation." These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation." The Corporation will be adopting these new sections effective January 1, 2008. The impact of these new standards on SaskPower's financial statements is currently being assessed.

B) Capital disclosures

In December 2006, the AcSB also issued Section 1535, "Capital Disclosures." This standard required disclosure regarding what the Corporation defines as capital and its objectives, policy and processes for managing capital. This section becomes mandatory for adoption effective January 1, 2008. The impact of this new standard on SaskPower's financial statements is currently being assessed.

C) Inventories

In June 2007, the AcSB issued Section 3031, "Inventories," which converges Canadian accounting for inventories with International Financial Reporting Standards (IFRS). This section becomes mandatory for adoption effective January 1, 2008. This standard is not expected to have a material effect on SaskPower's financial statements.

D) International Financial Reporting Standards (IFRS)

In 2006, the AcSB adopted its Strategic Plan, which includes a decision to converge Canadian accounting standards with IFRS. The AcSB has indicated that Canadian companies will need to begin reporting under IFRS by the first quarter of 2011 with appropriate comparative data from the prior year. The impact of these new standards on SaskPower's financial statements is currently being assessed.

RISK MANAGEMENT

SaskPower's Board of Directors (Board) approves the risk management framework for the Corporation. The framework includes the risk exposure guidelines, tolerances and control structures within which management will conduct SaskPower's business. The Risk Management Committee, chaired by the President and CEO, is responsible for implementing the Board-approved policies and for directing and monitoring the development, implementation, conduct, control and reporting of SaskPower's risk management activities.

The following risk exposures are the major factors that could affect SaskPower's future results:

A) Operational risk

SaskPower's generation, transmission and distribution assets are subject to equipment failure, which may lead to outages. The Corporation completes regular maintenance and major upgrades at its facilities to mitigate the risk of an outage. Unplanned outages at a power plant need to be replaced with either available capacity within SaskPower's generating system or with import electricity. This replacement electricity is generally more expensive than the generation the Corporation planned to run.

SaskPower's hydro performance is largely dependent upon the availability of water in a given year. A decline in hydro generation must be offset with more expensive sources of energy, such as natural gas or imports. The Corporation manages this risk by monitoring water resources in Saskatchewan and optimizing its hydro facilities when alternative energy sources (imports) are at peak levels.

In addition, demand growth greater than forecast due to short-term weather impacts or unexpected new loads brought onto the grid are served at higher incremental costs. Conversely, loss of demand in Saskatchewan results in lower fuel costs, but also assets that are sitting idle. The Corporation manages this risk through monitoring of the province's load growth and through detailed infrastructure planning.

The reliability of SaskPower's transmission and distribution system is affected by vegetation and diverse weather patterns. The Corporation mitigates this risk through effective design, operation and maintenance of the transmission and distribution system and through effective response to outages.

A significant portion of SaskPower's labour force is unionized. The Corporation's operations may be disrupted in the event of a labour dispute. The Corporation negotiated collective bargaining agreements with the International Brotherhood of Electrical Workers (IBEW), Local 2067, and the Communications, Energy and Paperworkers Union (CEP), Local 649, in 2007. The contracts run to December 31, 2009.

SaskPower is also subject to risks such as an accidental loss of assets and business interruption. The Corporation utilizes two methods for dealing with these risks. Loss prevention methods are applied in instances where the risks can be controlled, eliminated or transferred. Loss prevention involves engineering, administrative and operating staff working to identify risks and the development of loss prevention solutions. Secondly, SaskPower purchases insurance to minimize its exposures to certain risks. The Corproration primarily seeks insurance for catastrophic events only and the deductibles on the major insurance types are set so that premiums are maintained at reasonable levels.

B) Commodity price risk

SaskPower primarily has an exposure to fluctuations in the quantities and prices of commodities used in the generation of electricity and an exposure to variability in the market prices of electricity.

SaskPower has minimized the coal price exposure by securing long-term supply contracts for its coal-fired generation. The contracts in place expire no earlier than 2009.

Short-term natural gas prices are volatile, underscoring the need for an effective risk management plan. SaskPower's natural gas price risk management plan targets a balanced approach to managing costs at a reasonable level through the use of physical purchases, storage and derivative financial instruments. Objectives of the plan are to reduce the risk related to natural gas price volatility. As at December 31, 2007, SaskPower had hedged 40% of the Corporation's anticipated natural gas exposure for 2008 with derivative financial instruments.

Additionally, SaskPower's electricity trading activities are exposed to fluctuations in electricity prices. The Board has approved limits on the maximum size, type and level of risk of a transaction. As at December 31, 2007, SaskPower had no significant open positions.

C) Foreign exchange rate risk

SaskPower has exposure to various currencies due to electricity trading activities and the acquisition of goods and services from foreign suppliers. The Corporation may use a variety of derivative financial instruments, such as foreign currency forward contracts to manage this risk.

D) Interest rate risk

SaskPower is exposed to changes in interest rates on planned borrowings. Additionally, interest rate changes may influence the performance and cost of SaskPower's defined benefit pension plan. As at December 31, 2007, 100% of the Corporation's debt was at fixed rates.

E) Credit risk

Credit risk exposure is the risk that a counterparty will fail to perform its present or future obligations resulting in a loss to the Corporation. As an example, credit risk exposure may be quantified as the cost of replacing a physical or derivative financial instrument or the loss incurred when a counterparty fails to make payment on billed invoices.

Credit risk is managed by adhering to approved credit policies established by management and approved by the Board. Ongoing monitoring of all material counterparties is in place to ensure credit limits are reduced or eliminated as market events occur. As at December 31, 2007, all credit exposures were within the limits stated in the approved guidelines.

F) Environmental risk

In respect of environmental protection, SaskPower is dedicated to improving performance, demonstrating leadership, ensuring operational transparency and engaging stakeholders in the communities it serves. The foundation of SaskPower's efforts to respond to environmental risks is its ISO 14001 Environmental Management System (EMS). Specifically, the ISO 14001 standard provides the framework for identifying environmental issues, leading to the management, measurement, evaluation and auditing of activities with an underlying goal of continuous improvement.

SaskPower's Environmental Policy outlines the Corporation's overall commitment to environmental responsibility. The core principles within the Environmental Policy that are designed to protect Saskatchewan's environment are: compliance with relevant environmental legislation, regulations and corporate environmental commitments; prevention of pollution; and continual improvement of environmental management systems and environmental performance.

The Corporation is also exposed to the risk of new environmental regulations. SaskPower is actively engaged with provincial and federal authorities to monitor and, where possible, guide emerging environmental regulations which would affect SaskPower's operations. While there is considerable uncertainty regarding the details of these emerging changes, SaskPower anticipates that a general reduction in air emissions and greater care of affected habitats will be required over the next decade. These changes will increase the cost of producing and delivering electricity.

CONSOLIDATED FINANCIAL STATEMENTS/NOTES

REPORT OF *MANAGEMENT*

The consolidated financial statements of Saskatchewan Power Corporation (SaskPower) are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgment, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the consolidated financial statements have been properly prepared within the framework of selected accounting policies summarized in the consolidated financial statements and incorporate, within reasonable limits of materiality, information available up to February 8, 2008. The financial information presented in the Management's Discussion & Analysis (MD&A) and elsewhere in this report is consistent with that in the consolidated financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Corporation's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. This system includes corporate-wide policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities within the organization. An internal audit function independently evaluates the effectiveness of these controls on an ongoing basis and reports its findings to management and the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board reviews audit, internal control and financial reporting matters with management, the internal auditors and the external auditors to satisfy itself that each is properly discharging its responsibilities. The MD&A, consolidated financial statements and the external auditors' report are approved by the Board of Directors. The internal and external auditors have full and open access to the Board of Directors, with and without the presence of management.

The consolidated financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Lieutenant Governor in Council and approved by the Crown Investments Corporation of Saskatchewan. The external auditors' responsibility is to express their opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,

Pat Youzwa

Pat Youzwa
President and Chief Executive Officer
February 8, 2008

Grant Ring

Grant Ring, CMA
Acting Vice-president and Chief Financial Officer

AUDITORS' *REPORT*

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of Saskatchewan Power Corporation as at December 31, 2007, and the consolidated statements of income and retained earnings, comprehensive income and accumulated other comprehensive income (loss) and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
February 8, 2008

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

(in millions)

For the year ended December 31	2007	2006
Revenue		
Saskatchewan electricity sales	**$ 1,356**	$ 1,269
Exports	**57**	29
Net sales from electricity trading *(Note 4)*	**11**	15
Other revenue *(Note 5)*	**45**	40
Total revenue	**1,469**	1,353
Expense		
Fuel and purchased power *(Note 6)*	**494**	498
Operating, maintenance and administration	**416**	360
Depreciation *(Note 7)*	**219**	207
Finance charges *(Note 8)*	**167**	161
Taxes *(Note 9)*	**35**	34
Total expense	**1,331**	1,260
Net income	**138**	93
Retained earnings, beginning of year	**808**	776
Change in accounting policy *(Note 3)*	**2**	–
Related party transaction *(Note 22)*	**2**	–
Dividends	**(97)**	(61)
Retained earnings, end of year	**$ 853**	$ 808

See accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in millions)

As at December 31	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents *(Note 10)*	$ 84	$ 20
Accounts receivable and unbilled revenue	188	186
Inventory *(Note 11)*	145	139
Derivative financial instruments asset *(Note 18)*	4	9
	421	354
Property, plant and equipment *(Note 12)*		
Property, plant and equipment	6,688	6,487
Less: accumulated depreciation	3,088	2,887
	3,600	3,600
Construction in progress	134	95
	3,734	3,695
Debt retirement funds *(Note 13)*	237	201
Other assets *(Note 14)*	86	114
Total assets	$ 4,478	$ 4,364
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 169	$ 160
Accrued interest	54	55
Derivative financial instruments liability *(Note 18)*	14	21
Current portion of long-term debt *(Note 15)*	340	66
Dividends payable	31	10
	608	312
Long-term debt *(Note 15)*	2,225	2,449
Other liabilities *(Note 16)*	130	135
Total liabilities	2,963	2,896
Equity		
Equity advances *(Note 17)*	660	660
Retained earnings	853	808
Accumulated other comprehensive income	2	–
Total equity	1,515	1,468
Total liabilities and equity	$ 4,478	$ 4,364

Commitments and contingencies *(Note 19)*

See accompanying notes

On behalf of the Board:

Joel Teal
Chair

Bill Wheatley
Vice-chair

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in millions)

For the year ended December 31	2007	2006
Net income	**$ 138**	$ 93
Other comprehensive income:		
Net losses on natural gas hedges in prior periods reclassified to net income in the current period	**14**	–
Other comprehensive income	**14**	–
Total comprehensive income	**$ 152**	$ 93

CONSOLIDATED STATEMENT OF ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

(in millions)

For the year ended December 31	2007	2006
Accumulated other comprehensive income (loss), beginning of period *(Notes 3 and 14)*	**$ (12)**	$ –
Other comprehensive income	**14**	–
Accumulated other comprehensive income, end of period	**$ 2**	$ –

See accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

(in millions)

For the year ended December 31	2007	2006
Operating activities		
Net income	$ 138	$ 93
Add (deduct) items not involving cash:		
Depreciation *(Note 7)*	219	207
Natural gas hedges market value gains *(Notes 6 and 18)*	(2)	–
Natural gas hedges transitional market value losses reclassified to net income *(Note 6)*	15	–
Debt retirement fund earnings *(Notes 8 and 13)*	(8)	(10)
Debt retirement fund market value gains *(Notes 8 and 13)*	(1)	–
Defined benefit pension plan expense (income) *[Note 23(b)]*	8	(7)
Equity investment income *(Note 14)*	(7)	(9)
Allowance for obsolescence	7	–
Other	4	4
	373	278
Net change in non-cash working capital *(Note 20)*	–	(23)
Cash provided by operating activities	373	255
Investing activities		
Property, plant and equipment	(275)	(275)
Interest capitalized *(Note 8)*	(5)	(10)
Customer contributions and net proceeds on removal	25	22
Equity investment distributions *(Note 14)*	9	5
Reclassification of short-term investment *(Note 14)*	(2)	–
Cash used in investing activities	(248)	(258)
Increase (decrease) in cash before financing activities	125	(3)
Financing activities		
Proceeds from long-term debt	104	105
Repayment of long-term debt	(63)	(49)
Repayment of non-recourse debt	(3)	(3)
Debt retirement fund installments *(Note 13)*	(23)	(22)
Dividends paid	(76)	(73)
Cash used in financing activities	(61)	(42)
Increase (decrease) in cash	64	(45)
Cash and cash equivalents, beginning of year	20	65
Cash and cash equivalents, end of year	$ 84	$ 20

Supplemental information:

Cash paid for interest	$ 185	$ 187
Cash paid for grants-in-lieu of taxes	17	16
Cash paid for capital tax	18	19

See accompanying notes

1. STATUS OF THE CORPORATION

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act.*

By virtue of *The Crown Corporations Act, 1993*, SaskPower has been designated a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of the Corporation are included in the consolidated financial statements of CIC. As a provincial Crown corporation, the Corporation is not subject to federal income tax, provincial income tax or federal large corporations tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The following accounting policies are considered significant:

(a) Use of estimates

The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates are described in the following summary of significant accounting policies. Actual results could differ from those estimates, which may impact the actual results reported in future periods.

(b) Consolidation and investments

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (Shand Greenhouse), and SaskPower International Inc. (SaskPower International). All inter-company transactions have been eliminated on consolidation. Separate audited financial statements are prepared for each subsidiary.

SaskPower accounts for its joint venture interests using the proportionate consolidation method. The Corporation accounts for investments over which it exerts significant influence using the equity method. The investment is initially recorded at cost and the carrying value adjusted thereafter to include the Corporation's proportionate share of post acquisition earnings less cash distributions.

(c) Revenue recognition

Electricity pricing in Saskatchewan is subject to review by the Saskatchewan Rate Review Panel, with final approval by cabinet. Saskatchewan electricity sales and exports are recognized upon delivery to the customer and include an estimate of electrical deliveries not yet billed at year-end.

Electricity trading revenues are reported on a net basis upon delivery of electricity to the customers and receipt of electricity purchased from external parties. Electricity trading contracts are recorded at their fair value *(Note 4)*.

Other revenue includes gas and electrical inspections, flyash sales and wind power production incentives received from the Government of Canada. These revenues are recorded upon delivery of the related good or service. Other revenue also includes investment income which is the Corporation's proportionate share of post acquisition earnings on its equity investment *(Note 5)*.

Contributions in aid of construction are deferred and recognized in income as a credit to depreciation expense over the estimated service life of the related asset.

(d) Foreign currency translation

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the transaction date. Monetary assets and liabilities denominated in a foreign currency are translated using the exchange rate in effect on the balance sheet date. Any resulting foreign currency translation gains and losses are included in the consolidated statement of income in the current period.

(e) Cash and cash equivalents

Cash and cash equivalents includes short-term investments that have a maturity date of 90 days or less from the date of acquisition. These investments are carried at fair value *(Note 10)*.

(f) Inventory

Maintenance materials, supplies and fuel inventory are recorded at the lower of average cost and net realizable value. In establishing the appropriate provision for inventory obsolescence, management estimates the likelihood that inventory on hand will become obsolete due to changes in technology. Materials are charged to inventory when purchased and then expensed or capitalized when installed *(Note 11)*.

(g) Property, plant and equipment

Property, plant and equipment is recorded at original cost and includes material, direct labour, overhead costs and interest during construction. The Corporation capitalizes interest based on the weighted average cost of long-term borrowings.

Costs are capitalized provided there is reasonable certainty they will provide benefits into the future. Significant renewals and enhancements to existing assets are capitalized only if the service life of the asset is increased; physical output, service capacity or quality is improved above original design standards; or operating costs are reduced by a substantial and quantifiable amount. Maintenance and repair costs are expensed as incurred.

Contributions in aid of construction are funds received from certain customers toward the costs of service extensions. Contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset.

Assets under construction are recorded as construction in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment *(Note 12)*.

(h) Depreciation

Depreciation is calculated on a straight-line basis over the estimated service life of the related asset. The estimated useful life of property, plant and equipment is based on current facts, past experience and the potential for technical obsolescence. Estimated service lives of the assets are periodically reviewed and any changes are applied prospectively.

Effective January 1, 2007, following the completion of a depreciation study, the average estimated service lives of certain asset categories have been changed. The impact of the change in estimate increased depreciation expense by approximately $8 million in 2007.

The average estimated service life of new assets for the major categories of property, plant and equipment are:

Asset	Average service life in years
Generation:	
Coal	30
Natural gas	24
Hydro	50
Cogeneration	30
Wind	20
Transmission	35 – 50
Distribution	33 – 40
Other	4 – 50

Depletion on long-term coal properties is calculated using the unit of production method based on estimated proven reserves. Depreciation expense also includes the gain or loss on both the complete and partial disposal of assets and accretion (interest) expense on asset retirement obligations *(Note 7)*.

(i) Asset impairment

The Corporation evaluates its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. Factors which could indicate an impairment exists include significant changes in the Corporation's strategy or underperformance of assets relative to projected future operating results. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted projected future net cash flows expected from its use and disposal. It is measured as the amount by which the carrying amount of the asset exceeds its fair value. As at December 31, 2007, the Corporation determined that there was no impairment of value to its long-lived assets and therefore no write down was required.

(j) Asset retirement obligations

An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. The Corporation recognizes asset retirement obligations to decommission coal, gas, cogeneration and wind generation facilities in the period in which the facility is commissioned. The Corporation has not recognized an obligation for its transmission, distribution and hydro generation assets, as an estimate of their fair value cannot be determined. The Corporation expects to maintain and operate these assets indefinitely.

The fair value of the estimated asset retirement costs is recorded in other liabilities with an offsetting asset capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) expense. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included with depreciation expense. The offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows, including the method and timing of decommissioning and estimates of future inflation. Asset retirement obligations are periodically reviewed and any changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost *(Notes 7 and 16)*.

(k) Environmental remediation liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations and remediation at identified sites. These liabilities are based on management's best estimate considering current environmental laws and regulations and the estimates have been recorded at undiscounted amounts. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis *(Note 16)*.

(l) Financial instruments

SaskPower classifies its financial instruments into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities *(Note 3)*. All financial instruments are measured at fair value on initial recognition and recorded on the consolidated statement of financial position. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments, in which case they are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Held-for-trading financial assets and liabilities are subsequently measured at fair value, with changes in fair value recognized in the consolidated statement of income in the line item to which the financial instrument is related. Available-for-sale financial assets are subsequently measured at fair value, with changes in fair value recognized as other comprehensive income. Financial instruments classified as held-to-maturity; loans and receivables; and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

Derivative financial instruments, including natural gas, export and electricity trading contracts, are utilized by the Corporation to manage the exposure to natural gas and electricity price risk. All derivative contracts are recognized as a financial asset or a financial liability on the trade date. The Corporation has chosen not to designate its derivative instruments as hedges. As such, all derivative financial instruments are classified as held-for-trading and recorded at fair value on the consolidated statement of financial position, with subsequent changes in fair value recognized in the consolidated statement of income.

Fair value is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value is determined by reference to quoted bid or ask prices, as appropriate, in the active market for that instrument to which the Corporation has immediate access. When bid or ask prices are unavailable, the Corporation uses the closing price of the most recent transaction of that instrument. In the absence of an active market, the Corporation determines fair value based on internal and external valuation models, such as option-pricing models and discounted cash flow analysis, using observable market-based inputs. Fair values determined using valuation models require the use of assumptions, including forward natural gas market prices, market volatility and discount factors.

For transitional purposes, the Corporation has elected to record embedded derivatives only for contracts or financial instruments entered into or modified after January 1, 2003. As at December 31, 2007, the Corporation does not have any outstanding contracts or financial instruments with embedded derivatives that are required to be separately valued *(Note 18)*.

(m) Employees' future benefits

The Corporation provides pension plans for all eligible employees, including a defined benefit pension plan and a defined contribution pension plan. The defined benefit pension plan (the Plan) is governed by *The Superannuation (Supplementary Provisions) Act* and *Regulations*, as well as *The Power Corporation Superannuation Act*. The defined contribution pension plan is governed by *The Public Employees Pension Plan Act* and *Regulations* and certain sections of *The Superannuation (Supplementary Provisions) Act* and *Regulations*.

Under the defined contribution pension plan, the Corporation's obligations are limited to contributions made for current service. When made, these contributions are charged to operating, maintenance and administration expense.

The defined benefit pension plan, substantially closed to new members since 1977, provides benefits based on the average of the highest five years' annual pensionable earnings and years of service. Pensions are increased annually at a rate equal to 70% of the increase in the Saskatchewan consumer price index (CPI).

The cost of pension benefits under this Plan is actuarially determined using the projected benefit method prorated on service. It reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing up to the rate of inflation. Market rates are used to measure the accrued benefit obligation and fair value to measure the pension Plan assets. The transitional asset that resulted from the adoption of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3461 and past service costs from amendments to the Plan are being amortized over the average remaining service life of the employees in the Plan. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of Plan assets is amortized over the average remaining service life of the employees in the Plan.

The Corporation provides severance plans for all eligible employees, including defined contribution and defined benefit severance plans. Under the defined contribution severance plan, SaskPower's obligations are limited to contributions made for current service. The cost of severance benefits under the defined benefit severance plans is determined using the projected benefit method prorated on service and reflects management's best estimates of future wages, number of eligible employees and average age at retirement. The estimated transitional obligation is being amortized over the average remaining service life of the employees in the defined benefit severance plans.

The Corporation provides a supplementary superannuation plan for certain management employees who elect to forego their entitlement to banked days off. SaskPower's current period expense is limited to yearly notional contributions to the plan based upon the employee's salary and an amount allocated for interest on the employee's plan balance.

The Corporation also provides lifetime superannuation allowances and bridge allowances to employees who chose to retire under various early retirement options. The cost of these benefits is actuarially determined by calculating the present value of all future benefit entitlements *(Note 23)*.

(n) Future accounting policy changes

Financial instruments – disclosure and presentation

In December 2006, the Accounting Standards Board (AcSB) issued two new CICA handbook sections which expand the disclosure requirements on financial instruments: Section 3862, "Financial Instruments – Disclosures" and Section 3863, "Financial Instruments – Presentation." These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation." The Corporation will be adopting these new sections effective January 1, 2008. The impact of these new standards on SaskPower's financial statements is currently being assessed.

Capital disclosures

In December 2006, the AcSB also issued Section 1535, "Capital Disclosures." This standard required disclosure regarding what the Corporation defines as capital and its objectives, policy and processes for managing capital. This section becomes mandatory for adoption effective January 1, 2008. The impact of this new standard on SaskPower's financial statements is currently being assessed.

Inventories

In June 2007, the AcSB issued Section 3031, "Inventories," which converges Canadian accounting for inventories with International Financial Reporting Standards (IFRS). This section becomes mandatory for adoption effective January 1, 2008. This standard is not expected to have a material effect on SaskPower's financial statements.

International Financial Reporting Standards

In 2006, the AcSB adopted its Strategic Plan which includes a decision to converge Canadian accounting standards with IFRS. The AcSB has indicated that Canadian companies will need to begin reporting under IFRS by the first quarter of 2011 with appropriate comparative data from the prior year. The impact of these new standards on SaskPower's financial statements is currently being assessed.

3. CHANGE IN ACCOUNTING POLICY (in millions)

Financial instruments

Effective January 1, 2007, SaskPower adopted the new CICA Section 1530, "Comprehensive Income;" Section 3251, "Equity;" Section 3855, "Financial Instruments – Recognition and Measurement;" Section 3861, "Financial Instruments – Disclosure and Presentation;" and Section 3865, "Hedges." The following are the impacts of implementing these new standards in 2007.

SaskPower has classified its financial instruments into one of the following categories: *held-for-trading; held-to-maturity; loans and receivables; available-for-sale;* and *other liabilities.*

Derivative financial instruments assets and liabilities are classified as *held-for-trading* and recorded at fair value on the consolidated statement of financial position. The derivative financial instruments include natural gas, export and electricity trading contracts. The change in the market value (gain or loss) of the derivatives is recorded in the consolidated statement of income in the line item to which the derivative is related, unless the derivative is designated as a hedge for accounting purposes. If the derivative is designated as a hedge for accounting purposes, the gain or loss is temporarily recorded as other comprehensive income. The gain or loss will be reclassified to the consolidated statement of income in the period that the derivative financial instrument is settled.

The Corporation discontinued its use of hedge accounting on its natural gas derivatives on December 30, 2006. In accordance with the transitional rules upon the adoption of the new standards, $12 million of net unrealized losses on the previously designated natural gas hedges at December 30, 2006, have been recorded in the consolidated statement of financial position as accumulated other comprehensive income (loss). These losses will subsequently be reclassified to the consolidated statement of income in fuel and purchased power as the contracts mature. At December 31, 2007, $14 million of losses have been reclassified from accumulated other comprehensive income to fuel and purchased power, with the remaining contracts to be reclassified by December 31, 2009. Changes in the market value of these natural gas derivatives since December 30, 2006, have been recognized directly in fuel and purchased power as gains or losses.

Debt retirement funds have been classified as *held-for-trading* and are recorded at fair value on the consolidated statement of financial position. The change in the market value has been recorded in the consolidated statement of income in finance charges. The debt retirement funds, which were previously presented as a reduction of long-term debt, are now presented on a gross basis and are reported separately on the consolidated statement of financial position. The prior year comparative figures have been restated to conform with the current year presentation.

Long-term debt has been classified as *other liabilities* and recorded at amortized cost. As such, the related debt premium and issue costs have been reclassified as part of the carrying value of the long-term debt and are being amortized using the effective interest rate method.

Cash and cash equivalents are classified as *held-for-trading* and are measured at carrying value which approximates fair value due to the short-term nature of these instruments. Accounts receivable and unbilled revenue are classified as *loans and receivables*. Accounts payable and accrued liabilities are classified as *other liabilities*.

SaskPower does not have any financial instruments classified as *held-to-maturity* or *available-for-sale,* either upon adoption of the new standards on January 1, 2007, or at December 31, 2007.

Upon the adoption of the new standards, the impact of applying this change in accounting policy effective January 1, 2007, was as follows:

Adjustment to opening retained earnings as at January 1, 2007:

Financial statement category	Description of adjustment		Increase
Debt retirement funds	- market value adjustment	$	4
Total assets		$	4
Long-term debt	- effective interest rate method adjustment	$	2
Retained earnings, beginning of year	- net adjustment		2
Total liabilities and equity		$	4

Impact of reclassifications on the consolidated statement of financial position as at January 1, 2007:

Financial statement category	Description of adjustment		Increase/(decrease)
Other assets	- net deferred natural gas hedging loss	$	(12)
	- debt issue costs reclassification		(2)
Total assets		$	(14)
Other liabilities	- debt premium reclassification	$	(11)
Long-term debt	- debt premium net of debt issue costs		9
Accumulated other comprehensive income (loss)	- net deferred natural gas hedging loss		(12)
Total liabilities and equity		$	(14)

In addition, this change in accounting policy has decreased net income in 2007 by $12 as a result of a $13 increase in fuel and purchased power costs and a $1 decrease in finance charges.

Accounting changes

Effective January 1, 2007, the Corporation adopted the new CICA Section 1506, "Accounting Changes," in accordance with the transitional provisions of the section. The new standard allows for voluntary changes in accounting policy only if they result in the financial statements providing reliable and more relevant information. New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. The adoption of Section 1506 had no material impact on these consolidated financial statements.

4. NET SALES FROM ELECTRICITY TRADING (in millions)

		2007		2006
Electricity trading revenue	**$**	**125**	$	118
Electricity trading costs		**114**		103
	$	**11**	$	15

5. OTHER REVENUE (in millions)

		2007		2006
Gas and electrical inspections	$	8	$	6
Flyash sales		6		5
Wind power production incentives		6		5
Equity investment income *(Note 14)*		7		9
Miscellaneous revenue		18		15
	$	45	$	40

6. FUEL AND PURCHASED POWER (in millions)

		2007		2006
Purchased power	$	196	$	200
Coal-fired generation		169		167
Natural gas generation		83		91
Natural gas hedges market value gains *(Note 18)*		(2)		–
Natural gas hedges transitional market value losses reclassified to net income		15		–
Hydro generation		15		14
Imports and other		18		26
	$	494	$	498

Purchased power includes the cost of electricity obtained through long-term power purchase agreements. Imports represent electricity purchased from suppliers that produce power outside Saskatchewan.

7. DEPRECIATION (in millions)

		2007		2006
Depreciation expense	$	228	$	210
Accretion expense		2		2
Environmental expense		–		6
Amortization of contributions in aid of construction		(11)		(11)
	$	219	$	207

8. FINANCE CHARGES (in millions)

		2007		2006
Interest on long-term debt	$	184	$	185
Interest capitalized		(5)		(10)
Debt retirement fund earnings *(Note 13)*		(8)		(10)
Debt retirement fund market value gains *(Note 13)*		(1)		–
Interest income		(4)		(5)
Other interest and charges		1		1
	$	167	$	161

9. TAXES (in millions)

		2007		2006
Grants-in-lieu of taxes to 13 cities	$	17	$	16
Saskatchewan corporate capital tax		18		18
	$	35	$	34

In addition to the above, SaskPower collected a municipal surcharge, between 5% and 10% of residential electricity sales, on behalf of 407 Saskatchewan cities, towns and villages from customers and remitted $42 (2006 – $40) to local governments pursuant to Section 36 of *The Power Corporation Act*.

10. CASH AND CASH EQUIVALENTS (in millions)

	2007	2006
Cash (overdraft)	$ (5)	$ (8)
Short-term investments	89	28
	$ 84	$ 20

Short-term investments earned interest at a weighted average rate of 4.50% (2006 – 4.08%) per annum.

11. INVENTORY (in millions)

	2007	2006
Maintenance materials and supplies	$ 111	$ 101
Allowance for obsolescence	(8)	(1)
Fuel	42	39
	$ 145	$ 139

In 2007, due to recent and planned upgrades to the Corporation's generation facilities, a comprehensive analysis was performed on the maintenance materials and supplies inventory. The allowance for obsolescence was increased to reflect the total estimated amount of excess and obsolete inventory at December 31, 2007.

12. PROPERTY, PLANT AND EQUIPMENT (in millions)

	2007				2006			
	Cost	Accumulated depreciation	Construction in progress	Net book value	Cost	Accumulated depreciation	Construction in progress	Net book value
Generation	$ 3,398	$ 1,635	$ 80	$ 1,843	$ 3,331	$ 1,527	$ 42	$ 1,846
Cogeneration	139	22	–	117	138	18	–	120
Transmission	677	302	18	393	660	286	20	394
Distribution	1,940	804	7	1,143	1,843	754	12	1,101
Other	534	325	29	238	515	302	21	234
	$ 6,688	$ 3,088	$ 134	$ 3,734	$ 6,487	$ 2,887	$ 95	$ 3,695

Included in the above amounts are unamortized reconstruction charges and customer contributions of $273 (2006 – $259).

13. DEBT RETIREMENT FUNDS (in millions)

A reconciliation between the opening and closing debt retirement funds balance is provided below:

	2007	2006
Debt retirement funds, beginning of year	$ 201	$ 169
Market value adjustment upon adoption of financial instruments standards *(Note 3)*	4	–
Debt retirement fund installments	23	22
Debt retirement fund earnings *(Note 8)*	8	10
Debt retirement fund market value gains *(Note 8)*	1	–
Debt retirement funds, end of year	$ 237	$ 201

Under conditions attached to certain advances from the Province of Saskatchewan, the Corporation is required to pay annually into debt retirement funds administered by Saskatchewan Ministry of Finance, amounts at least equal to 1% of certain debt outstanding. As at December 31, 2007, scheduled debt retirement fund installments for the next five years are as follows:

	2008	2009	2010	2011	2012
Debt retirement fund annual contribution	$ 24	$ 21	$ 21	$ 21	$ 21

14. OTHER ASSETS (in millions)

	2007	2006
MRM Cogeneration Station	$ 30	$ 32
Deferred assets	21	26
Defined benefit pension asset *[Note 23(a)]*	28	36
Net deferred natural gas hedging loss *(Note 3)*	–	12
Prepaid expense	5	6
Investment	2	–
Debt issue costs *(Note 3)*	–	2
	$ 86	$ 114

MRM Cogeneration Station

The Corporation, through its subsidiary SaskPower International, has a 30% ownership interest in the MRM Cogeneration Station. The 172-megawatt (MW) natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta. The cogeneration station commenced commercial operations in January 2003. A reconciliation between the opening and closing equity investment balance is provided below:

	2007	2006
Equity investment, beginning of year	$ 32	$ 28
Equity investment income	7	9
Equity investment distributions	(9)	(5)
Equity investment, end of year	$ 30	$ 32

Deferred assets

Deferred assets include payments made in accordance with long-term coal supply agreements. The Corporation is amortizing the deferred assets over the remaining life of the long-term coal supply agreements.

Defined benefit pension asset

This represents the surplus in the defined benefit pension plan based on long-term assumptions. It does not represent cash or investments held by the Corporation outside of the plan.

Net deferred natural gas hedging loss

This reflects the cumulative mark-to-market transitional adjustment recorded upon management's decision to discontinue the use of hedge accounting on its designated natural gas derivatives on December 30, 2006. Effective January 1, 2007, upon adoption of the new financial instruments standards, the net deferred natural gas hedging loss was reclassified and recorded as accumulated other comprehensive income (loss) in the equity section of the consolidated statement of financial position.

Prepaid expense

This includes prepaid amounts for insurance and licenses. The prepaid amount is amortized on a straight-line basis over the period of benefit.

Investment

This represents an investment in Aurora Trust Series A Asset-Backed Commercial Paper (Aurora). The Aurora investment was purchased on May 31, 2007, with a maturity date of August 31, 2007. As a result of market concerns about asset-backed commercial paper in Canada and the United States that resulted in the inability of the non-bank trust administrators to refinance mature borrowings, SaskPower did not receive the principal it had invested in Aurora at maturity. A consortium of financial institutions in Canada is currently working on a plan intended to help establish normal operations in the Canadian asset-backed commercial paper market. The current expectation is that the Aurora investment will be converted to a longer-term interest paying note, which would be paid off as the underlying assets mature. The Aurora investment, which was previously classified as cash and cash equivalents, has been reclassified to other assets. The investment is recorded at its estimated fair value at December 31, 2007 *(Note 18)*.

Debt issue costs

Effective January 1, 2007, upon the adoption of the new financial instruments standards, the debt issue costs have been reclassified and are recorded as part of the carrying value of the long-term debt and are being amortized using the effective interest rate method.

15. LONG-TERM DEBT (in millions)

	2007	2006
Recourse debt – advances from the Province of Saskatchewan	$ 2,462	$ 2,425
Non-recourse debt	87	90
Unamortized debt premiums net of issue costs	16	–
Gross long-term debt	2,565	2,515
Less: current portion of long-term debt	(340)	(66)
Long-term debt	$ 2,225	$ 2,449

The recourse debt is comprised of advances from the Province of Saskatchewan (General Revenue Fund), substantially all of which have annual debt retirement fund requirements. The non-recourse debt is used to finance the Cory Cogeneration Station. Under the terms of this debt, lenders have recourse limited to the Station's assets.

Recourse debt – advances from the Province of Saskatchewan

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Outstanding amount
March 3, 1988, to July 11, 1988	March 3, 2008, to July 11, 2008	–	9.62 to 10.31	$ 74
September 1, 1989, to December 1, 1989	September 1, 2009, to December 1, 2009	–	9.15 to 9.26	3
March 15, 1993	March 15, 2008	8.62	7.70	263
July 20, 1993	July 15, 2013	8.63	7.81	97
December 20, 1990	December 15, 2020	11.23	9.97	129
February 4, 1992	February 4, 2022	9.27	9.60	240
July 21, 1992	July 15, 2022	10.06	8.94	256
May 30, 1995	May 30, 2025	8.82	8.75	100
August 8, 2001	September 5, 2031	6.49	6.40	200
January 15, 2003	September 5, 2031	5.91	6.40	100
May 12, 2003	September 5, 2033	5.90	5.80	100
January 14, 2004	September 5, 2033	5.68	5.80	200
October 5, 2004	September 5, 2035	5.50	5.60	200
February 15, 2005	March 5, 2037	5.09	5.00	150
May 6, 2005	March 5, 2037	5.07	5.00	150
February 24, 2006	March 5, 2037	4.71	5.00	100
March 6, 2007	June 1, 2040	4.49	4.75	100
				$ 2,462

Non-recourse debt

Date of issue	Date of maturity	Effective interest rate (%)	Coupon rate (%)	Outstanding amount
April 26, 2001	March 31, 2008, to December 31, 2025	7.87	7.59	$ 44
April 26, 2001	March 31, 2008, to June 30, 2026	7.88	7.60	40
October 4, 2002	March 31, 2008, to December 31, 2011	Floating	B.A.[1]+margin	3
				$ 87

1. A Banker's Acceptance is an instrument that is created by a non-financial firm and accepted and guaranteed by the bank. This rate is based on the average rates from eight Canadian banks with the high and low rates omitted from the average. The margin ranges from 1.0% to 1.375%.

As at December 31, 2007, scheduled debt retirement requirements for the next five years are as follows:

	2008	2009	2010	2011	2012
Recourse debt	$ 337	$ 3	$ –	$ –	$ –
Non-recourse debt	3	4	4	4	4
	$ 340	$ 7	$ 4	$ 4	$ 4

16. OTHER LIABILITIES (in millions)

	2007	2006
Asset retirement obligations	**$ 34**	$ 32
Environmental remediation liabilities	**54**	54
Other benefit plans *(Note 23)*	**42**	38
Debt premium *(Note 3)*	**–**	11
	$ 130	$ 135

Asset retirement obligations

A reconciliation between the opening and closing asset retirement obligations balance is provided below:

	2007	2006
Asset retirement obligations, beginning of year	**$ 32**	$ 31
Liabilities incurred in the period	**–**	1
Liabilities removed in the period	**–**	(2)
Accretion expense	**2**	2
Asset retirement obligations, end of year	**$ 34**	$ 32

SaskPower estimates the undiscounted amount of cash flows required to settle the asset retirement obligations is approximately $128, which will be incurred between 2008 and 2045. The majority of these costs will be incurred between 2027 and 2036. Credit-adjusted risk-free rates between 5.25% and 6.04% were used to calculate the carrying values of the asset retirement obligations. No funds have been set aside by the Corporation to settle the asset retirement obligations.

Environmental remediation liabilities

Environmental remediation liabilities represent expected environmental expenditures related to present or past activities of the Corporation.

Other benefit plans

Other benefit plans include the liability for a defined benefit and defined contribution severance plan, a supplementary superannuation plan, and various early retirement plans.

Debt premium

Effective January 1, 2007, upon the adoption of the new financial instruments standards, the debt premiums have been reclassified and recorded as part of the carrying value of the long-term debt and are being amortized using the effective interest rate method.

17. EQUITY ADVANCES (in millions)

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

18. FINANCIAL RISK MANAGEMENT (in millions)

By virtue of its operations, the Corporation is exposed to changes in the price of natural gas and electricity, interest rates and the United States (U.S.)/Canadian dollar exchange rate. SaskPower utilizes a number of derivative financial instruments to manage these exposures. The Corporation mitigates risk associated with these derivative financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Commodity price risk

The Corporation is exposed to natural gas price risk through gas purchased for its natural gas-fired power plants and through certain power purchase agreements which have a cost component based on the price of natural gas. As at December 31, 2007, the Corporation had entered into natural gas contracts to hedge approximately 40% of its estimated natural gas exposures for 2008 and 12% for 2009.

The Corporation is also exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions.

Interest rate risk

The Corporation is exposed to interest rate risk on planned borrowings, however this risk is considered low. As a result, the Corporation had no financial contracts in place to offset interest rate risk as of December 31, 2007.

Foreign exchange risk

The Corporation faces exposure to the U.S./Canadian dollar exchange rate primarily through the sale of electricity to customers in the U.S., as well as from the purchase of goods and services that are payable in U.S. dollars. The Corporation may utilize financial instruments to manage this risk. However, the risk is not considered significant.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

SaskPower's credit risk relates to customer accounts receivable and unbilled revenue, short-term investments, and counterparties to financial hedges and commodity transactions. Customer accounts receivable and unbilled revenue are diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. In addition, the Corporation maintains Board-approved credit policies and limits in respect to short-term investments and counterparties.

Financial instruments

The following summarizes the carrying amounts and fair values of the Corporation's financial instruments at year-end:

At December 31		**2007**		2006	
		Asset (liability)		Asset (liability)	
Financial instrument	**Classification**	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	HFT[1]	**$ 84**	**$ 84**	$ 20	$ 20
Accounts receivable and unbilled revenue	L&R[2]	**188**	**188**	186	186
Debt retirement funds	HFT[1]	**237**	**237**	201	205
Investment	HFT[1]	**2**	**2**	–	–
Financial liabilities					
Accounts payable and accrued liabilities	OL[3]	**(169)**	**(169)**	(160)	(160)
Recourse debt	OL[3]	**(2,462)**	**(3,037)**	(2,425)	(3,058)
Non-recourse debt	OL[3]	**(87)**	**(97)**	(90)	(102)

1. HFT – held-for-trading.
2. L&R – loans and receivables.
3. OL – other liabilities.
4. The Corporation has not classified any of its financial instruments as at December 31, 2007, as either held-to-maturity or available-for-sale.

Fair values are determined as follows:

(a) Debt retirement funds are valued at the closing year-end unit prices received from the Saskatchewan Ministry of Finance;

(b) Investment is valued using an internal valuation model based on management's assumptions;

(c) Long-term debt instruments are valued at year-end market prices for the underlying debt issues or, when unavailable, for similar instruments; and

(d) Other financial instruments – including cash and cash equivalents, accounts receivable and unbilled revenue and accounts payable and accrued liabilities – approximate fair value due to the short period to maturity.

Derivative financial instruments

The following summarizes the market value gains and losses on the Corporation's derivative financial instruments at year-end:

Derivative financial instrument	Classification	December 31, 2007 Asset	December 31, 2007 Liability	January 1, 2007 Asset	January 1, 2007 Liability	Market value gains (losses)
Natural gas contracts						
Two-way collars	HFT[1]	$ 4	$ (4)	$ 9	$ (11)	$ 2
Fixed price swap instruments	HFT[1]	–	(10)	–	(10)	–
Electricity trading contracts	HFT[1]	–	–	–	–	–
		$ 4	$ (14)	$ 9	$ (21)	$ 2

1. HFT – held-for-trading.

Fair values are determined as follows:

(a) Natural gas derivative option instruments (i.e. collars) are valued based on estimates provided by the financial counterparties;

(b) Natural gas swap instruments are valued using an internal pricing model that uses market data, including average forward monthly natural gas prices obtained from financial counterparties; and

(c) Electricity trading derivatives, including contracts for differences and forward agreements, are valued at year-end market prices.

19. COMMITMENTS AND CONTINGENCIES (in millions)

(a) The Corporation has entered into power purchase agreements expected to cost $5,634 (2006 – $5,744) until 2028 and provide approximately 469 MW of generating capacity.

(b) At 2007 prices, the Corporation also has forward commitments of $1,636 (2006 – $1,459) extending until 2024 for future minimum coal deliveries.

(c) The Corporation is forecasting to spend $470 on capital projects in 2008.

(d) Through the Energy Performance Contracting (EPC) Program, the Corporation has guaranteed $7 (2006 – $10) of energy savings to various customers. The EPC Program is a comprehensive facility improvement initiative designed to enhance the facilities of the customer while permanently reducing utility costs. These guarantees are offset by third party guarantees to SaskPower that ensure the energy savings are realized.

(e) At year-end, SaskPower – through its subsidiary, NorthPoint – has committed to 2008 electricity sales of $5 (2007 – $5) and 2008 electricity purchases of $5 (2007 – $3). These contracts are considered derivative financial instruments and changes in their fair value have been included in net income.

(f) The Corporation has issued letters of credit and promissory notes in the amount of $8 (2006 – $18). This includes $3 in letters of credit related to electricity trading activities and physical natural gas purchases. It also includes a $5 promissory note provided as acceptable credit support for project lenders in respect of the debt coverage service ratio requirements for the Cory Cogeneration Station.

(g) A legal action was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Power Corporation Superannuation Plan (PCSP; the defined benefit pension plan). The claim alleges the Corporation has inappropriately ceased making contributions to the PCSP; incorrectly offered employees early retirement with unreduced pensions; and did not provide sufficient information to allow employees to make an informed decision regarding the choice to either stay within the PCSP or move into the Public Employees Pension Plan.

Since 1996, various legal proceedings have taken place to properly define the claim. A pre-trial conference is now expected to take place in 2008. It is the Corporation's position that the final outcome from the claim is not determinable. As such, no provision has been set up to cover any potential settlement or adverse disposition.

SaskPower has various other legal matters pending, which in the opinion of management, will not have a material effect on SaskPower's consolidated financial position or results of operations.

20. NET CHANGE IN NON-CASH WORKING CAPITAL (in millions)

	2007	2006
Accounts receivable and unbilled revenue	**$ (2)**	$ (25)
Inventory	**(13)**	–
Prepaid and deferred assets	**7**	7
Accounts payable and accrued liabilities	**9**	(6)
Accrued interest	**(1)**	1
	$ –	$ (23)

21. JOINT VENTURES (in millions)

(a) The Corporation, through its subsidiary SaskPower International, holds a 50% interest in an unincorporated joint venture with ATCO Power Canada Ltd. The joint venture owns and operates a 228-MW natural gas-fired cogeneration plant (Cory Cogeneration Station) near Saskatoon, Saskatchewan.

(b) The Corporation holds a 50% interest in Cory Cogeneration Funding Corporation (CCFC). CCFC is a special purpose company established by the Corporation and ATCO Power Canada Ltd. (the Owners) to borrow long-term, non-recourse debt to finance the Cory Cogeneration Station. CCFC acts as agents for the Owners by receiving revenues, disbursing costs (including debt service) and distributing proceeds to the Owners.

(c) The Corporation's interest in joint ventures is summarized below:

	2007	2006
Statement of income		
Revenue	$ 18	$ 18
Operating, maintenance and administration	(5)	(5)
Depreciation	(5)	(5)
Interest	(6)	(7)
Income from joint ventures	$ 2	$ 1
Statement of financial position		
Current assets	$ 4	$ 3
Property, plant and equipment	116	121
Debt issue costs	–	2
Current liabilities	(4)	(4)
Non-recourse long-term debt	(82)	(87)
Other liabilities	(1)	(1)
Investment in joint ventures	$ 33	$ 34
Statement of of cash flows		
Operating activities	$ 6	$ 6
Investing activities	(1)	(1)
Financing activities	(6)	(5)
Decrease in cash	$ (1)	$ –

Current assets include cash of $nil (2006 – $1) which is only available for use within the joint ventures.

22. RELATED PARTY TRANSACTIONS (in millions)

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year-end are as follows:

	2007	2006
Revenue	$ 113	$ 101
Expense	53	55
Royalties and water rentals	35	32
Finance charges	177	178
Taxes	18	18
Accounts receivable and unbilled revenue	5	3
Accounts payable and accrued liabilities	10	10
Accrued interest	54	55
Dividends payable	31	10

In addition to the above, in October 2007, SaskPower sold property to Saskatchewan Property Management. This sale was accounted for as a related party transaction and as such, the excess of consideration received over the net book value of the property was credited to retained earnings ($2).

The Corporation also pays Saskatchewan provincial sales tax on all its taxable purchases to the Saskatchewan Ministry of Finance. Taxes paid are recorded as part of the cost of those purchases.

23. EMPLOYEES' FUTURE BENEFITS (in millions)

Defined benefit pension plan

The Corporation sponsors a defined benefit pension plan (the Plan) that has been substantially closed to employees since 1977. The measurement date of the latest actuarial valuation used to determine the Plan assets and obligations was September 30, 2007. The effective date of the most recent actuarial valuation for funding purposes was December 31, 2006. Under current Canada Revenue Agency guidelines, an actuarial valuation for funding purposes is to be completed at a minimum, every 3 years. However, the Corporation has committed to request an actuarial valuation for funding purposes in 2008, with an effective date of December 31, 2007.

The defined benefit pension plan is solely the obligation of the Corporation. The Corporation is not obligated to fund the Plan but is obligated to pay benefits under the terms of the Plan as they come due.

(a) Status of the Plan

The actuarial valuation measured at September 30, 2007, showed that the Plan had an actuarial surplus of $9 (2006 – deficit of $46). The improvement in the funded status of the Plan was primarily due to actual returns earned on the Plan's assets and a change in the discount rate. The calculation of the pension plan surplus (deficit) is as follows:

		2007		2006
Plan assets				
Fair value, beginning of year	$	790	$	762
Actual return on plan assets		86		63
Employee funding contributions		2		2
Employer funding contributions		–		5
Benefits paid		(42)		(42)
Fair value, end of year		836		790
Accrued benefit obligation				
Balance, beginning of year		836		768
Current service cost		9		8
Interest cost		43		40
Benefits paid		(42)		(42)
Actuarial (gain) loss		(19)		21
Past service costs		–		41
Balance, end of year		827		836
Plan surplus (deficit) at September 30	$	9	$	(46)

For accounting purposes, an asset of $28 (2006 – $36) has been recorded in other assets on SaskPower's consolidated statement of financial position at December 31, 2007. The difference between the value reported as the Plan surplus (deficit) and the value recorded on SaskPower's consolidated statement of financial position is due to the CICA requirement to base the valuation of the Plan for accounting purposes on long-term actuarial assumptions rather than on actual experience.

Below is a reconciliation of the Plan surplus (deficit) and the value of the Plan recorded on SaskPower's consolidated statement of financial position:

		2007		2006
Plan surplus (deficit)	$	9	$	(46)
Add: unamortized net actuarial (gain) loss not yet recorded		(9)		46
Add: unamortized past service costs		28		41
Less: unamortized transitional asset resulting from the introduction of Section 3461[1]		–		(5)
Defined benefit pension asset recorded in other assets	$	28	$	36

1. CICA Handbook Section 3461, "Employee Future Benefits."

There are two significant reconciling items. The first relates to the unamortized net actuarial (gain) loss. This (gain) loss is made up of the accumulated difference between the actual returns and obligations of the Plan and the expected returns and obligations of the Plan based upon the long-term actuarial assumptions. The second item relates to the unamortized past service costs. These costs relate to legislation introduced by the Government of Saskatchewan in 2006 that amended the Plan to provide regular benefit increases equal to 70% of the increase in the Saskatchewan CPI.

(b) Benefit expense

In 2007, using long-term assumptions as noted in (c), the Corporation recorded a non-cash pension expense of $8 (2006 – $7 income). This amount was recorded in the Corporation's operating, maintenance and administration expense. The following is a summary of the calculation of the pension expense (income):

	2007	2006
Cost arising from events during the year		
SaskPower's current service cost	**$ 7**	$ 6
Interest on accrued benefit obligation	**43**	40
Less: actual return on plan assets	**(86)**	(63)
Actuarial (gain) loss on accrued benefit obligation	**(19)**	21
Future benefit (credits) costs before adjustments	**(55)**	4
Adjustments to recognize the long-term nature of cost		
Difference between actual and expected return on plan assets	**36**	15
Amortization of past service costs	**13**	–
Amortization of transitional asset	**(5)**	(5)
Difference between amortization of net actuarial (gain) loss and actual actuarial (gain) loss on accrued benefit obligation	**19**	(21)
Total adjustments	**63**	(11)
Pension expense (income) recorded in operating, maintenance and administration	**$ 8**	$ (7)

(c) Assumptions

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligation at September 30 are:

	2007	2006
Discount rate, beginning of year	**5.25%**	5.25%
Discount rate, end of year	**5.75%**	5.25%
Expected long-term rate of return on plan assets, beginning of year	**6.50%**	6.50%
Expected long-term rate of return on plan assets, end of year	**6.75%**	6.50%
Long-term rate of compensation increases	**3.50%**	3.50%
Remaining service life (years)	**3.22**	3.89
Long-term inflation rate	**2.50%**	2.50%
Assumptions for benefit increases (percentage of CPI)	**70.00%**	70.00%

The actuarial assumptions are based on management's expectations, independent actuarial advice and guidance provided by CICA. Two of the most significant assumptions are the discount rate and expected long-term rate of return on plan assets. The discount rate has been increased in 2007 to better reflect the spot yield for high-grade, long-term Canadian corporate bonds. The expected long-term rate of return on Plan assets is based upon the asset mix of the Plan and expected returns for each asset class. The increase from the previous valuation is attributed to higher than expected long-term returns on the Plan assets.

(d) Benefit plan asset allocation

	2007	2006
Equity securities	**66.6%**	65.0%
Debt securities	**32.8%**	34.4%
Cash and short-term securities	**0.6%**	0.6%
	100.0%	100.0%

(e) Benefit payments

The benefit payments expected to be made to beneficiaries over the next five years are as follows:

	2008	2009	2010	2011	2012
Expected benefit payments	$ 48	$ 50	$ 54	$ 58	$ 62

Defined contribution pension plan

Under the defined contribution pension plan, the Corporation's obligations are limited to the contributions for current services. These contributions are charged to income when made. The net expense for the defined contribution pension plan is as follows:

	2007	2006
Defined contribution pension plan expense	**$ 9**	$ 9

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan and a voluntary early retirement plan. A reconciliation between the opening and closing accrued benefit obligations balance is provided below:

	2007	2006
Accrued benefit obligations		
Balance, beginning of year	**$ 38**	$ 34
Expense	**13**	11
Benefits paid	**(9)**	(7)
Balance, end of year	**$ 42**	$ 38
Present value of accrued benefit obligations	**$ 57**	$ 55

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations at September 30 are:

	2007	2006
Discount rate	**5.25% – 5.75%**	4.50%- 5.25%
Long-term rate of compensation increases	**3.50%**	3.50%
Remaining service life (years)	**9.70**	10.36

24. COMPARATIVE FIGURES

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

FIVE-YEAR FINANCIAL SUMMARY

(in millions)

	2007	2006	2005	2004	2003
Consolidated statement of income					
Revenue					
Saskatchewan electricity sales	**$ 1,356**	$ 1,269	$ 1,181	$ 1,132	$ 1,104
Exports	**57**	29	68	66	92
Net sales from electricity trading	**11**	15	9	4	4
Other revenue	**45**	40	31	28	27
Total revenue	**1,469**	1,353	1,289	1,230	1,227
Expense					
Fuel and purchased power	**494**	498	454	473	485
Operating, maintenance and administration	**416**	360	336	317	301
Depreciation	**219**	207	189	189	186
Finance charges[1]	**167**	161	147	157	39
Taxes	**35**	34	32	28	29
Total expense	**1,331**	1,260	1,158	1,164	1,040
Net income	**$ 138**	$ 93	$ 131	$ 66	$ 187

1. Finance charges are net of foreign exchange gains or losses.

	2007	2006	2005	2004	2003
Consolidated statement of financial position					
Assets					
Current assets	**$ 421**	$ 354	$ 365	$ 371	$ 277
Property, plant and equipment	**3,734**	3,695	3,616	3,344	3,260
Debt retirement funds[2]	**237**	201	170	140	120
Other assets	**86**	114	120	115	73
Total assets	**$ 4,478**	$ 4,364	$ 4,271	$ 3,970	$ 3,730
Liabilities and equity					
Current liabilities	**$ 608**	$ 312	$ 294	$ 292	$ 386
Long-term debt	**2,225**	2,449	2,415	2,106	1,831
Other liabilities	**130**	135	126	182	130
Equity	**1,515**	1,468	1,436	1,390	1,383
Total liabilities and equity	**$ 4,478**	$ 4,364	$ 4,271	$ 3,970	$ 3,730

2. Debt retirement funds have been reclassified from long-term debt upon adoption of new financial instrument standards.

	2007	2006	2005	2004	2003
Consolidated statement of cash flows					
Cash provided by operating activities	**$ 373**	$ 255	$ 297	$ 289	$ 200
Cash used in investing activities	**(248)**	(258)	(457)	(289)	(255)
Cash (used in) provided by financing activities	**(61)**	(42)	121	100	(34)
Increase (decrease) in cash position	**$ 64**	$ (45)	$ (39)	$ 100	$ (89)
Financial indicators					
Dividends	**$ 97**	$ 61	$ 85	$ 59	$ 169
Capital expenditures	**280**	285	473	301	267
Return on equity	**9.3%**	6.4%	9.2%	4.8%	13.6%
Per cent debt ratio	**59.7%**	61.0%	60.9%	58.2%	56.5%

FIVE-YEAR REVENUE STATISTICS

	2007	2006	2005	2004	2003
Number of Saskatchewan electricity customers					
Residential	**321,183**	315,203	311,736	308,659	305,685
Farm	**63,384**	64,273	65,110	66,099	66,868
Commercial	**53,917**	53,574	53,008	52,911	52,656
Oilfield	**13,147**	12,437	11,757	11,409	11,180
Power	**80**	80	79	85	87
Reseller	**2**	2	2	2	2
	451,713	445,569	441,692	439,165	436,478
Total electricity sales (in millions)					
Residential	**$ 311**	$ 288	$ 269	$ 255	$ 251
Farm	**127**	118	121	118	122
Commercial	**292**	279	267	255	251
Oilfield	**192**	176	158	146	137
Power	**362**	337	302	298	282
Reseller	**72**	71	64	60	61
Saskatchewan electricity sales	**1,356**	1,269	1,181	1,132	1,104
Exports	**57**	29	68	66	92
Total electricity sales	**$ 1,413**	$ 1,298	$ 1,249	$ 1,198	$ 1,196
Total electricity sales (GWh)					
Residential	**2,643**	2,531	2,514	2,484	2,509
Farm	**1,329**	1,272	1,337	1,350	1,442
Commercial	**3,269**	3,239	3,200	3,132	3,151
Oilfield	**2,541**	2,399	2,264	2,165	2,082
Power	**6,854**	6,666	6,552	6,502	6,278
Reseller	**1,287**	1,293	1,266	1,261	1,287
Saskatchewan electricity sales	**17,923**	17,400	17,133	16,894	16,749
Exports	**851**	480	1,048	1,002	1,436
Total electricity sales	**18,774**	17,880	18,181	17,896	18,185
Average electricity sales price ($/MWh)					
Residential	**$ 118**	$ 114	$ 107	$ 103	$ 100
Farm	**96**	93	91	87	85
Commercial	**89**	86	83	81	80
Oilfield	**76**	73	70	67	66
Power	**53**	51	46	46	45
Reseller	**56**	55	51	48	47
Exports	**67**	60	65	66	64
Total weighted average electricity sales price	**$ 75**	$ 73	$ 69	$ 67	$ 66
Average annual usage per residential customer (kWh)	**8,229**	8,030	8,065	8,048	8,208
Electricity trading					
Electricity trading sales (in millions)	**$ 125**	$ 118	$ 46	$ 31	$ 21
Electricity trading sales (GWh)	**1,897**	1,649	622	536	325

FIVE-YEAR GENERATING AND OPERATING STATISTICS

	2007	2006	2005	2004	2003
Net electricity supplied (GWh)					
Coal	**11,661**	11,102	11,467	12,191	11,608
Gas	**932**	980	734	876	1,066
Hydro	**4,393**	4,032	4,573	2,746	3,416
Wind	**580**	535	56	35	20
Imports and other	**316**	451	481	960	795
Purchased power	**2,689**	2,614	2,536	2,892	2,952
Gross electricity supplied	**20,571**	19,714	19,847	19,700	19,857
Line losses	**(1,797)**	(1,834)	(1,666)	(1,804)	(1,672)
Net electricity supplied	**18,774**	17,880	18,181	17,896	18,185
Generating capacity (net MW)					
Coal	**1,661**	1,661	1,651	1,651	1,651
Gas	**538**	538	538	538	538
Hydro	**854**	854	854	854	854
Wind	**161**	161	11	11	11
Purchased power	**454**	454	449	449	449
	3,668	3,668	3,503	3,503	3,503
Peak loads (net MW)					
Annual peak load	**2,969**	2,960	2,946	2,954	2,805
Minimum load	**1,583**	1,510	1,482	1,466	1,501
Summer peak load	**2,879**	2,706	2,639	2,591	2,666
Lines in service (km)					
Transmission lines	**12,216**	12,212	12,159	12,149	12,104
Distribution lines	**143,602**	142,843	142,110	141,408	140,733
	155,818	155,055	154,269	153,557	152,837
Number of permanent full-time employees	**2,488**	2,458	2,425	2,397	2,376

A) AUTHORITY

SaskPower is governed by *The Power Corporation Act*. It is subject to the provisions of *The Crown Corporations Act, 1993*, which gives the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's commercial Crown corporations, broad authority to set the direction of the Corporation. Where required by legislation or policy directive, SaskPower submits performance management and investment decisions for review and approval by CIC and the cabinet. Through its Chair, who is an outside Director, the SaskPower Board of Directors is accountable to the Minister of Crown Corporations. The Minister functions as a link between the Corporation and cabinet, as well as the provincial legislature.

B) ROLE OF BOARD OF DIRECTORS (13 meetings)

SaskPower's Board of Directors is responsible for the general stewardship of SaskPower. It is accountable for setting direction, monitoring and evaluating achievement, as well as identifying any necessary corrective action for the Corporation. The Board works with management to develop and approve SaskPower's Strategic Plan, annual budget and Business Plan. It participates in identifying business risk and oversees the implementation of appropriate systems to achieve a balance between risks incurred and potential returns. On January 22, 2008, the Board was dissolved and an interim Board appointed. On February 6, 2008, the interim Board was dissolved and a reconfigured Board appointed.

During 2007, Board highlights include the review of numerous operational, financial, environmental, strategic planning, human resource and governance items. The number of meetings attended by each Director during the year:

Director	Meetings attended[1]		
Patricia A.G. Quaroni, Chair	13	(13)	
Cheryl Bauer Hyde	13	(13)	
Larry Braun[2]	1	(2)	(Note: one not attended due to conflict of interest.)
Neil Collins	8	(13)	(Note: two not attended due to conflict of interest.)
Sarah Gauthier[2]	7	(7)	
Lyn Kristoff	11	(13)	
Al Macatavish	13	(13)	
Dr. Michael D. Mehta	12	(13)	
Deb Schmidt[2]	7	(7)	
Mel Watson[2]	7	(7)	
Bob Linner[3]	6	(6)	
Tammy Cook-Searson[3]	6	(6)	
Richard Hordern[3]	6	(6)	
Kathy Zwick[4]	3	(4)	(Note: one not attended due to conflict of interest.)
Marlaina Hauser[5]	1	(1)	

1. Figures in brackets represent the number of meetings held by the Board during the period the individual was a Director.
2. Appointment expired March 31, 2007.
3. Appointed March 27, 2007.
4. Appointed May 30, 2007.
5. Appointed October 9, 2007.

C) BOARD COMPOSITION

SaskPower's Board of Directors is appointed by the Lieutenant Governor in Council pursuant to *The Power Corporation Act*. The Board consists of nine independent Directors.

D) COMMITTEES

During 2007, the Board had four standing committees to assist in discharging specific areas of Board responsibility:

- Audit and Finance Committee
- Governance Committee
- Environment, Occupational Health and Safety Committee
- Human Resources/Compensation Committee

The full Terms of Reference of each of the committees, as well as the Board of Directors, can be found on the SaskPower website (saskpower.com).

Audit and Finance Committee (nine meetings) - *Chair: Lyn Kristoff to January 22, 2008*
The Audit and Finance Committee's Terms of Reference mandated the Committee to assist the Board in meeting its responsibilities with respect to financial reporting, internal controls and accountability. The Committee oversaw the risk management reporting of the Corporation and directly interacted with the internal and external auditors. The Committee ensured that the Board was provided with financial plans, proposals and information that were consistent with the Corporation's overall strategic planning and public policy objectives.

During 2007, the Committee reviewed annual and interim financial statements, regular risk reporting packages, corporate balanced scorecard reporting, SaskPower's insurance program, the 2008 Business Plan, as well as the Deloitte & Touche and Provincial Auditor 2006 summaries. The Committee approved the work plan for the internal audit department and monitored quarterly reporting on irregularities. Although there were no significant irregularities in 2007, quarterly reporting enhances and underscores ongoing vigilance in this area. Another highlight for the Committee was review and approval of a revised Purchasing Policy for the Corporation. Finally, the Committee worked actively with management in overseeing the feasibility work for a clean coal generating station.

Environment, Occupational Health and Safety Committee (four meetings) - *Chair: Al Macatavish to January 22, 2008*
The Environment, Occupational Health and Safety Committee was charged with ensuring that the Corporation proactively addresses safety, health and environmental issues and was in compliance with regulatory and statutory requirements. During the year, highlights included affirming SaskPower's Environmental Policy, reviewing compliance with mining reclamation plans, monitoring the safety and sustainability of dam spillways, as well as tracking changes to federal environmental legislation. The Committee also assessed progress on the implementation of SaskPower's Safety Management System and reviewed incident reporting.

Governance Committee (seven meetings) - *Chair: Deb Schmidt to March 27, 2007; Michael Mehta, April 20, 2007, to January 22, 2008*
The Governance Committee was responsible for the development, review and effectiveness of SaskPower's corporate governance practices. It also served as ethics advisor for the Board. Its duties included monitoring and evaluating Board and individual Director performance, as well as the effectiveness of the Board committee structure. It was also responsible for conducting Board skills and needs assessments within the process of identifying potential future members. In 2007, its activities included recommending updates to the SaskPower Governance Manual and Execution of Documents Resolution to better align with Canadian Securities Administrators (CSA) Guidelines as well as the revision to the Purchasing Policy. It reviewed position descriptions for the Board Chair, Committee Chairs and Terms of Reference for Board committees. It also evaluated candidates for appointment to the Board and made recommendations for member term extensions. In addition, the Committee examined the results of peer evaluations and discussed future approaches to evaluation.

Human Resources/Compensation Committee (six meetings) - *Chair: Mel Watson to March 27, 2007; Cheryl Bauer-Hyde, April 20, 2007, to January 22, 2008*
The Human Resources/Compensation Committee was charged with overseeing SaskPower's human resource strategies, programs and practices. Initiatives during the year focused on attracting and retaining a diverse and engaged workforce, given the large number of expected retirements facing the Corporation. The Committee monitored progress on planning and recognition initiatives, diversity programs, employee engagement and leadership succession planning. It also worked with management in developing and recommending board approval for three-year collective bargaining agreements with both the IBEW and CEP and also recommended economic adjustment for management employees.

E) GOVERNANCE PRACTICES

In recent years, SaskPower has made substantial strides in enhancing corporate governance. Prior to 2005, practices were benchmarked to standards set by the Toronto Stock Exchange (TSX) for publicly traded companies. However, the TSX standards were replaced by updated disclosure guidelines set by the CSA. In light of these new guidelines, the SaskPower Board directed a review of existing practices to align with the new standards and refine any practices as required.

This review was substantially completed in 2006. SaskPower recognizes that good corporate governance is a subject for continuous improvement. As a result, it is committed to revisiting key elements of its decision-making processes on an annual basis to ensure they continue to meet best practice standards.

As a Crown corporation, SaskPower is not required to comply with CSA Governance Guidelines. That notwithstanding, the Corporation uses these guidelines to benchmark its governance practices. In fact, the Corporation's practices are substantially consistent with CSA standards. A detailed discussion of SaskPower governance practices in relation to the CSA Guidelines scorecard may be viewed on the SaskPower website (saskpower.com).

BOARD OF DIRECTORS

As at December 31, 2007

Patricia A.G. Quaroni, Chair
Regina, Saskatchewan

Cheryl Bauer Hyde
Regina, Saskatchewan

Neil Collins
Estevan, Saskatchewan

Tammy Cook-Searson
La Ronge, Saskatchewan

Marlaina Hauser
Prince Albert, Saskatchewan

Richard Hordern
Regina, Saskatchewan

Lyn Kristoff
Regina, Saskatchewan

Bob Linner
Regina, Saskatchewan

Al Macatavish
Winnipeg, Manitoba

Michael D. Mehta
Saskatoon, Saskatchewan

Kathy Zwick
Regina, Saskatchewan

Appointed February 6, 2008

Joel Teal, Chair
Saskatoon, Saskatchewan

Tammy Cook-Searson
La Ronge, Saskatchewan

Judy Harwood
Saskatoon, Saskatchewan

Nick Kaufman
Regina, Saskatchewan

Bryan Leverick
Saskatoon, Saskatchewan

Al Macatavish
Winnipeg, Manitoba

Michael MacBean
Swift Current, Saskatchewan

Grant McGrath
Rosetown, Saskatchewan

Bill Wheatley
Regina, Saskatchewan

EXECUTIVE TEAM

As at December 31, 2007

Pat Youzwa
President and Chief Executive Officer
SaskPower

David Hughes
President and Chief Executive Officer
SaskPower International

Bill Jones
Vice-president and Chief Financial Officer
Corporate and Financial Services

Mike Marsh
Vice-president
Transmission and Distribution

Judith A. May
Vice-president
Customer Services

Garner Mitchell
Vice-president
Power Production

Gordon A. Nystuen
Group Vice-president
People and Processes

Grant Ring
Acting President and Chief Executive Officer
NorthPoint Energy Solutions

Gary Wilkinson
Vice-president
Planning, Environment & Regulatory Affairs

Appointed January 25, 2008

Garner Mitchell
Acting President and Chief Executive Officer
SaskPower International

Grant Ring
Acting Vice-president and Chief Financial Officer
Corporate and Financial Services

GLOSSARY

Biomass
Energy resources derived from organic matter. These include wood, agricultural waste and other living-cell material that can be burned to produce heat energy.

Capacity
The greatest load that can be supplied by a generating unit, power station or an entire provincial grid system.

Carbon dioxide (CO_2)
One of the greenhouse gases believed to be a cause of climate change. Carbon dioxide is produced in fossil fuel-based electricity generation.

Clean coal technology
Technology that nearly eliminates emissions – including carbon dioxide – from coal-fired power plants.

Climate change
Climate change refers to any change in climate over time, whether due to natural variability or as a result of human activity.

Cogeneration
The simultaneous generation of electricity and useful heat or steam. The heat could be put to use in an industrial process or to heat a facility or community. The electricity could be used by the owner or sold.

Demand
The rate at which electric energy is delivered at a given instant or averaged over a period of time. It is measured in kilowatts, megawatts, etc.

Distribution
Process of moving electric energy at lower voltages from major substations to customers.

Environmental Management System (EMS)
Part of an overall management system which includes organizational structure, planning activities, responsibilities, practices, procedures, processes, and resources for developing, implementing, achieving, reviewing and maintaining an environmental policy.

Gigawatt (GW)
A unit of bulk power; one billion watts or one million kilowatts.

Gigawatt hour (GWh)
A unit of bulk energy; 1,000,000 kilowatt hours.

Greenhouse gases (GHG)
Naturally occurring gases such as carbon dioxide, methane and nitrous oxide that trap heat in the earth's lower atmosphere.

ISO 14001
A standard that defines the elements of a sound environmental management system. The ISO 14000 series is a family of environmental management standards developed by the International Organization for Standardization (ISO).

Kilowatt hour (kWh)
A unit of bulk energy; 1,000 watt hours. The measurement is generally used for billing residential customers.

Load
The amount of electric power or energy consumed by a particular customer or group of customers.

Megawatt (MW)
A unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

Megawatt hour (MWh)
A unit of bulk energy; 1,000 kilowatt hours.

NERC
Formed in 1968, the North American Electric Reliability Council's mission is to ensure that the bulk electric system in North America is reliable, adequate and secure.

OHSAS 18001
A standard that defines the elements of a sound occupational health and safety management system.

Peak load demand or peak energy demand
The maximum amount of electric power or energy consumed by a particular customer or group of customers at a precise time.

Polygeneration
The gasification of coal – or other feedstock such as petroleum residue – to produce electricity and other byproducts.

Safety Management System (SMS)
The structure, resources, practices and processes used to implement health and safety policies and minimize risks.

Sulphur dioxide (SO_2)
Sulphur dioxide belongs to the family of sulphur oxide (SOx) gases. These gases are formed when fuel containing sulphur (mainly coal and oil) is burned at power plants and during industrial processes.

Switching station
A facility containing transformers, regulators, switches and protective equipment for changing transmission voltages between transmission lines.

Transmission
Process of moving electric power in bulk at higher voltages from the source of supply to distribution centres.

Volt (V)
The unit of measurement of electrical pressure or force which causes electric current to flow.

Watt (W)
The unit of measurement of electrical power.

SYSTEM MAP

As at December 31, 2007

GENERATION (net capacity)

- Hydroelectric
- Natural gas
- Wind
- Coal
- Independent Power Producer

1. Athabasca Hydroelectric System - 23 MW
   - Wellington (5 MW)
   - Waterloo (8 MW)
   - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 102 MW
3. E.B. Campbell Hydroelectric Station - 288 MW
4. Nipawin Hydroelectric Station - 255 MW
5. Meadow Lake Power Station - 44 MW
6. Meridian Cogeneration Station - 210 MW
7. NRGreen Kerrobert Heat Recovery Project - 5 MW
8. Landis Power Station - 79 MW
9. Cory Cogeneration Station - 228 MW
10. Queen Elizabeth Power Station - 385 MW
11. Coteau Creek Hydroelectric Station - 186 MW
12. Success Power Station - 30 MW
13. Cypress Wind Power Facility - 11 MW
14. SunBridge Wind Power Project - 11 MW
15. Centennial Wind Power Facility - 150 MW
16. Poplar River Power Station - 572 MW
17. Boundary Dam Power Station - 813 MW
18. Shand Power Station - 276 MW

TRANSMISSION

- 230 kV
- 138 kV
- 138 kV line operating at 72 kV
- Switching station
- Interconnection

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OUR STRATEGIC DIRECTION

VISION:

People and innovation...powering Saskatchewan to a bright future.

MISSION:

Safe, reliable and sustainable power to our customers.

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SaskPower

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